Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NIS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$US1.50	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.900
Greece	Dr180	Morocco	Dh6.50	Turkey	L1500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	NKr10.00	USA	$1.00

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Mikhail Gorbachev goes marching on, Page 18

World News

Kemp quits Republican presidential contest

US Congressman Jack Kemp of New York – the football quarterback who became the standard-bearer of the Reagan tax-cutting revolution – withdrew from the Republican presidential race after a series of fourth-place finishes. Page 4

Reagan discusses Panama sanctions

President Ronald Reagan called a meeting with his senior foreign policy advisers to review possible economic moves against Panama aimed at helping oust military leader Manuel Antonio Noriega. Page 20

Meanwhile the Roman Catholic Church said it would distribute free food to Panamanians left without cash because of closed banks. Anti-Yankee sentiment, Page 4

Italian budget

The Italian parliament passed the 1988 budget yesterday paving the way for the expected resignation of the five-party coalition government.

Prince in avalanche

Prince Charles, heir to the British throne, narrowly escaped injury when an avalanche hit his skiing party on a Swiss mountain slope and killed a close friend who was a former royal aide.

Gulf barrage ends

The long-range missile barrages between Iraq and Iran looked as if they had come to an end with both sides clearly exhausted by 11 days of reciprocal bombardment. Page 3

Suharto disruption

President Suharto of Indonesia was re-elected unopposed for a fifth consecutive term. The ceremony was disrupted when a senior army officer took to the podium and criticised the way the contest for the vice-presidency was being handled. Page 3

Airline AIDS tests

Scandinavia's SAS airline introduced compulsory AIDS tests for pilots applying for jobs. "Pilots must be 100 per cent fit," a spokesman said.

Earthquake in Trinidad

An earthquake registering 6.9 on the Richter scale shook buildings in Trinidad but caused no damage or injuries.

Arms embargo charges

Six people, including Ferdinando Borletti, a member of the main board of the Fiat Group and formerly president of one of Italy's leading arms manufacturers, were arrested on suspicion of illegally exporting weapons to Iraq. Page 2

Lhasa show of force

Trucks carrying Chinese armed police drove through the streets of the Tibetan capital, Lhasa, in a show of force while in Peking senior party officials met to reconsider their Tibetan policy. Page 3

Malaysian MP held

Prominent Malaysian opposition MP Karpal Singh was re-arrested by police hours after he had been granted a writ of habeas corpus from the high court against his 4½-month detention. Page 3

N-waste records

The European Commission was considering new rules for the labelling and control of radioactive waste as a result of a row over allegedly faulty records of the transport of nuclear material in and out of the Mol reprocessing plant near Antwerp. Page 2

Anti-terrorism pact

A new international convention against terrorism at sea was agreed by 76 countries meeting under the auspices of the UN International Maritime Organisation. Page 2

Business Summary

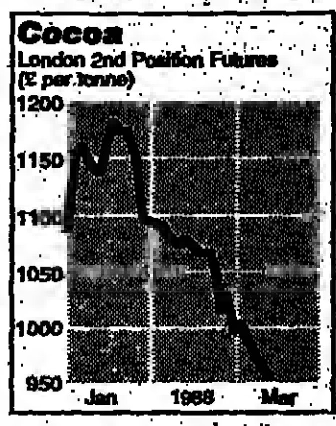
Wall Street suffers sharp loss amid heavy selling

WALL STREET suffered its biggest loss in seven weeks as a wave of selling overwhelmed the stock market late in the day. The Dow Jones industrial average fell 48.24 points to 2,026.03, according to unofficial tabulations, the biggest setback since a 57.20-point fall on January 20.

Traders said an onslaught of programme trading, concern over the jump in oil prices, and heavy selling in certain takeover stocks were among factors that weakened the market. Profit-taking was also present, they said. Page 42

MARVIN DAVIS, sometime Denver oilman and former owner of Twentieth Century-Fox, made a bid to get back into the film business with an offer of $780m for Lorimar-Telepictures, Hollywood's biggest maker of television programmes. Page 21

COCOA: Delegates to the International Cocoa Organisation (ICCO) met in London in a last ditch effort to resolve problems which could paralyse the cocoa agreement. The second position futures contract closed £8 down at £955 ($1,757) a tonne, a fall of £47 since the crisis talks opened a fortnight ago. Page 30



TOKYO: Demand for large-capital stocks pushed the market slightly higher in Tokyo but gains were kept in check towards the close on renewed investor concern over the fast upward pace. The Nikkei average ended 12.48 points higher at 25,617.82. Page 42

LONDON: Continued strong demand for British Petroleum, this time from the Kuwait Investment Office, again helped push the market higher with the FT-SE 100 index closing 19.3 up at 1,834.6. Page 38

DOLLAR closed in New York at DM1.6640; Y127.95; SFr1.3780; FFr5.6675. It closed in London at DM1.6650 (DM1.6680); Y128.10 (Y128.0); SFr1.3790 (unchanged); and FFr5.6675 (FFr5.6500). Page 31

STERLING closed in New York at $1.8470. It closed in London at $1.8425 ($1.8475); DM3.0675 (DM3.0825); Y236.0 (Y236.50); SFr2.5400 (SFr2.5475); and FFr10.4425 (FFr10.4375). Page 31

MOBIL, US energy group, said it intended to sell another $500m of assets this year in addition to this week's sale of the Montgomery Ward retail chain in a deal worth $3.8bn.

BELL HELICOPTER Textron, US defence contractor, has agreed to pay the US Government $90m in one of biggest-ever settlements of questionable billing practices. Page 20

PIRELLI, Italian tyre group, is seeking a $2.3bn financing to back its $1.93bn hostile takeover bid for Firestone Tire and Rubber of the US. Page 24

ROVER GROUP, UK state-owned automotive concern facing a possible takeover bid by British Aerospace, achieved a small operating profit last year for only the second time in the last decade. Lex, Page 20; Page 21

TEXACO, large US oil company which is *planning to emerge* within the next few months from Chapter 11 bankruptcy, said it was close to arranging a $8bn bank credit to help finance its reorganisation. Page 21

Embattled Waldheim apologises for Austrian crimes

MR KURT WALDHEIM, the embattled Austrian President, last night apologised for the crimes committed by Austrians during the Second World War, writes Judy Dempsey in Vienna.

Mr Waldheim, speaking in a nationwide television address to mark the 50th anniversary of the Anschluss, the annexation of Austria by Nazi Germany in March 1938, said a new morality was needed to overcome the widespread bitterness, growing mistrust and the crisis of confidence felt by many Austrians today.

"In the coming months, I shall use the authority of this office to find out the perspectives and contours of the moral reform of our republic," he said.

Mr Waldheim made his speech against the background of a continuing controversy surrounding his wartime activities and the report by an international commission of historians which found that Mr Waldheim had lied about his past.

Last night Mr Waldheim made no reference to these debates nor the calls for his resignation.

He said, however, that "there were Austrians who were perpetrators. Let us not give the impression that we had nothing to do with it. Yet I would like, as head of state of the Austrian Republic, to apologise for the crimes of the National Socialists committed by Austrians."

Referring to the war years, Mr Waldheim said: "Young people ask me what happened in 1938. We have to give answers in order to overcome the crisis of confidence which affected all generations," Mr Waldheim said.

He recalled how his father lost his job and was arrested by the Gestapo. But, he said, there were thousands who "hailed the Anschluss and who greeted Hitler and placed all their hopes in him."

Mr Waldheim described those days in March 1938 as a "mass psychosis, as it can only be in totalitarian regimes. Today we know we have to be alert to the first signs of intolerance and fanaticism. Today we know where fanaticism, hatred and violence lead to."

Mr Waldheim briefly referred to the Holocaust which he described as "the greatest tragedy in world history" and which "swallowed up our Jewish countrymen and people with different political views."

Earlier in the evening, Mr Helmut Zilk, the mayor of Vienna, delivered a lengthy speech in the city's town hall which dealt with Austria's past and the persistent anti-semitism.

"Those societies or individuals who forget their history are doomed to suffer through their past again."

He criticised Austria's "disgraceful anti-semitic tradition" which, he said, "represents a sad and abominable aspect of our past."

Mr Zilk said some of the victims of the occupation "very quickly turned on their victims to persecute political dissenters – but most of all, Jewish Austrians."

He praised the country's resistance movement but warned against criticising those who did not join the underground movement. "Only a boundless, self-righteous present can reproach a past generation for a lack of heroism."

Today, Mr Franz Vranitzky, the Austrian Chancellor, and Mr Alois Mock, the Vice Chancellor, will give speeches at the Hofburg, the President's official residence.

Editorial comment, Page 18

Takeshita: prospects dimmed

Takeshita stumbles over tax reform

By Ian Rodger in Tokyo

THE PROSPECTS for Mr Noboru Takeshita's term as *Japanese Prime Minister* look suddenly dimmer following the Government's latest reversal over its tax reform plans.

Mr Takeshita, the man who was supposed to be able to win consensus and implement *change where his predecessor,* Mr Yasuhiro Nakasone, failed, had looked surprisingly inept in this episode.

On Tuesday, following six days during which the opposition parties stalled parliamentary business, *the Government* gave in to their demands for tax cuts worth Y2,900bn ($22.6bn) in the fiscal year beginning next month. The Government had been trying to win opposition agreement on *wide-ranging tax reforms* in exchange for the tax cuts.

These would have included tha introduction of a value added tax (VAT) and, of special interest to the UK, the reform of liquor taxes. In the end, *however,* the *Government* apparently won little or nothing in return for the tax cuts. Political observers in Tokyo say this means that tax reform, one of the main planks in Mr Takeshita's platform, could be postponed *indefinitely.*

If so, they say it would be difficult for him to win the endorsement of the ruling Liberal Democratic Party (LDP) for a second term when his two-year term as party president and (consequently) Prime Minister ends in the autumn of 1989. Also, if, as some analysts suspect, he was entertaining thoughts of holding parliamentary elections next year in the hope of winning a popular mandate, that also looks less likely.

The agreement reached on

Continued on Page 20

Japan goes public, Page 10

Guinness in line for $25m Boesky payout

BY LISA WOOD AND NIKKI TAIT IN LONDON

GUINNESS, the drinks group which under its former management was the largest single equity investor in the controversial arbitrage fund run by Mr Ivan Boesky, *stands to receive at* least $25.5m from the US insider trader's former investment fund.

Cambrian & General Securities, the UK investment trust formerly owned by Mr Boesky, also announced yesterday that it was *in line to receive $9m in a distribution* among the limited partners of CX Partners, formerly Ivan F. Boesky & Co L.P.

Guinness and Cambrian & General Securities were among the 43 investors, mainly American, in the $338m *fund, set up* in March 1986. The Guinness investment totalled $100m.

The fund, now known as CX Partners, has been frozen by the US Securities and Exchange Commission (SEC) and is being *run by a liquidating trustee.*

Guinness, one of the seven limited partners which have been negotiating with the trustee, said yesterday it had agreed to a proposal aimed at settling various issues among most of the limited *partners of CX Partners.* The proposal has also been put to other limited partners.

On receiving the necessary approvals, Guinness said that it would get an initial net amount of $25.5m under the proposal.

Guinness said further distributions might be received in due course, but the amount and timing was uncertain. The distribution did not bring to an end any litigation against Mr Boesky personally, Guinness added.

The company made full provision against the original investment of $100m in its accounts for the 16 months ended December 31 1986. The $25.5m would be credited as an extraordinary item.

Ivan Boesky

Cambrian & General Securities has already written off its entire $20m investment in Ivan F. Boesky & Co L.P. in the [illegible] accounts. The investment, [illegible] made by the trust in March 1986 through its Bermuda-registered subsidiary, Farnsworth and Hastings.

Cambrian said yesterday that *the distribution may be subject* to US tax and other contingencies.

Cambrian – in which the SEC now holds 12.68 per cent of the ordinary shares and 54.6 per cent of the capital shares – also *pointed out* that the distribution proposal did not settle any of the current litigation involving Cambrian and Farnsworth.

IBM agrees to allow Ferranti use of its PCs

By Alan Cane in London

IBM, THE world's largest computer manufacturer has agreed to supply Ferranti International of the UK with its latest range of personal computers to be incorporated into complete Ferranti computer systems.

It is the first time that IBM, the market leader in personal computers, *has allowed its equipment* to be marketed under another manufacturer's name and marks a radical departure from its usual business practice.

The new IBM range, known as the Personal System/2 (PS/2) family, *will be sold* by the UK company as the Ferranti IS2000, but only as part of complete systems intended to control, for example, gas or oil utilities. The agreement is for two years in the first instance. Neither company would comment on the value of the deal.

Such agreements, known as "original equipment manufacturer" (oem) deals, are common in the computer industry, but yesterday's announcement marks the first *time* that *IBM* has taken advantage of the increased sales potential they bring.

The PS/2 range of personal computers differs in design from the preceding PC personal computer family which IBM has [illegible] as a world [illegible] experts interpreted the deal with Ferranti as indicating that IBM, faced with fierce competition from makers copying its designs, will now use every available route to establish *PS/2 as the new standard.*

The move is as radical as the company's use of dealers rather than its direct sales force in the early 1980s to sell its PCs.

It also marks a new level of intensity in the personal computer war between *IBM* and manufacturers committed to developing a competitive design of

Continued on Page 20

Seagram buys out Tropicana for $1.2bn

BY JAMES BUCHAN IN NEW YORK

SEAGRAM, *the world's largest* wine and spirits company, yesterday took its first step to diversify out of alcoholic drinks with the $1.2bn purchase of Tropicana, a leading US maker of orange juice, from Beatrice of Chicago.

The deal, which follows Seagram's runaway success in the new business of low-alcohol drinks known as wine coolers, gives the Canadian company access to a fast-growing market for premium-priced orange juice, *which Tropicana dominates.*

The Montreal-based group, which last month won a hard-fought $925m battle for Martell of France, liquor makers, has been moving away from its traditional base in blended whiskies and *other brown liquors,* a *market* in long-term decline.

Yesterday's announcement caused a stir on Wall Street because it was the first transaction for Wasserstein Perella, the fledgeling investment banking *firm set up last month* by rebel First Boston financiers Mr Bruce Wasserstein and Mr Joe Perella.

Beatrice dropped First Boston as its adviser when it was forced to abandon an ambitious plan to sell its $5bn-sales US food division to a single domestic or European food group after the stock market crash in October.

"The sheer size and diversity became difficult for a single potential buyer," said Beatrice, which is in the process of liquidation by a group of investors led by Mr Donald Kelly.

Mr Kelly is expected to sell tha *remaining Hunt-Wesson tomato* sauce and oil business remaining after disposals, but to retain Swift-Eckrich, a Chicago maker of processed meats, as a nucleus for more acquisitions.

Analysts said that Seagram was *paying* a *full price for Tropicana,* which is believed to make pre-tax profits of around $60m on sales revenues of $700m. But they point out that the Florida company sells the only big branded orange juice not made from concentrate *and can exploit* the ready-to-serve market, which has grown 20 per cent in two years.

Swedish forest sector plan

BY SARA WEBB IN STOCKHOLM

ANOTHER big restructuring in the Swedish forest products industry appeared under way last night.

MoDo, one of the country's *major pulp and paper groups,* said it was in the final stages of talks with Iggesund, its paper board affiliate, and Holmen, Europe's leading newsprint producer which it has controlled since last year, aimed at creating a *"new force" in the forest* products business.

The new diversified group would have annual sales of about SKr20bn ($3.38bn) and oust Svenska Cellulosa from its position as Sweden's number two forest products group, it said.

The *announcement* came a day after Stora, the leading forestry group, made a SKr5.9bn bid for Swedish Match, as part of a move from dependency on pulp and paper towards a broader product mix.

Other Swedish forest products companies have also been buying

Continued on Page 20

Moscow refuses to compromise on issues blocking Afghan deal

BY WILLIAM DULLFORCE IN GENEVA

THE SOVIET UNION yesterday refused to compromise over the two *issues blocking signature* of an agreement on the withdrawal of its troops from Afghanistan.

Moscow, increasingly annoyed by what it regards as deliberate stalling on a settlement by Pakistan, took the unprecedented step of *calling* a press conference in Geneva to express dissatisfaction at the lack of progress, rather than leaving the Afghan delegation to present the public side of their case.

It is the *first* time the Soviet Union *has* made *a public statement* in Geneva in the six years of indirect negotiations between Pakistan and Afghanistan under United Nations auspices.

Mr Nikolai Kosyrev, the Soviet ambassador-at-large responsible *for Asian affairs, complained that* by linking the Soviet pullout with the formation of a transitional coalition government in Kabul, Pakistan was preventing the disentanglement in Afghanistan which had been envisaged *as a first breakthrough* in resolving the regional conflict.

He said it was "very surprising" the talks had been bogged *down for a week after the key* issue – the timing and mechanics of the Soviet withdrawal – had been settled.

He also said a demand that Moscow should cut off military aid to Kabul in "symmetry" with the *cessation of US aid* to the Mujahideen resistance amounted to interference in the internal affairs of two sovereign states, the Soviet Union and Afghanistan.

The Soviets have said they will *begin troop withdrawal within 60* days of the signing of the agreement, will remove half their estimated 115,000 troop within three months and complete the withdrawal in nine months. Mr Mikhail Gorbachev, the Soviet leader, made clear last month that the Soviet withdrawal would begin on May 15 if the Geneva agreement was signed by March 15.

Yesterday Mr Kosyrev evaded a question *on whether the* Afghans and Soviets would leave Geneva on Tuesday if the accords had not been completed by then.

Mr Kosyrev has had direct meetings with Mr Robert Peck, US deputy assistant secretary of state, who is also in Geneva, but he said they had not discussed either of the two stumbling blocks – the coalition government and the cut-off of Soviet military aid.

Pressed on the military aid issue, he said that under its "contractual relations" with any government in Afghanistan, the Soviet Union would respond to a call for help even military assistance. This would not mean the *return of Soviet troops,* he added.

The Soviet statements in Geneva are clearly intended to step up pressure on Pakistan and, indirectly, on the US to make a progress towards agreement by next Tuesday.

A UN *spokesman* in Geneva last night denied a report from Islamabad that Mr Diego Cordovez, the UN mediator, had invited representatives of the Mujahideen resistance to Geneva, to discuss formation of a coalition *government.*

Soviet riots inquiry, Page 2

CONTENTS

FRENCH POLITICIANS STEER CLEAR OF RACISM

Jean-Marie Le Pen, who has had little success so far with his anti-immigrant stance, Page 20

MEPs throw EC insurance reform plans into chaos

BY WILLIAM DAWKINS IN BRUSSELS

AMBITIOUS plans to create a free market for non-life insurance in the European Community could be delayed for six months or more by an unexpected constitutional wrangle over the extent of the European Parliament's powers, say EC officials.

Mr Gerhard Stoltenberg, Bonn's Finance Minister, was last month congratulating himself that the long-delayed scheme had at last been adopted thanks to the efforts of the West German Presidency of the Council of Ministers, the main decision-making body. The plan, allowing insurers of big commercial risks to do business in other member states without setting up offices there, was proposed by the Commission in 1975, but not adopted until last year.

Now the Strasbourg Assembly is threatening to make the whole process start again in what it sees as an important test case of the new powers accorded to it under the constitutional reforms in the Single European Act, ratified last summer. It is demanding extra consultations under provisions in the act that the Parliament should be asked for its views on new legislation twice, rather than once.

"Not only do we have a right to be consulted, on this, but we have a duty to give our opinion," said Lady Ellis, the Conservative MEP chairing the parliamentary committee responsible. Curiously, it might seem, the Parliament does not want to make any changes to the insurance scheme. But it fears the proposals could be challenged in court by some governments – southern member states in particular think they are too liberal – if the proper procedures are ignored. Other EC officials are sceptical on that point. They see the move as a simple plot by the Parliament to see how far it can push its new powers.

Under pre-Single European Act rules, the non-life insurance directive would now be ready to be turned into national law, having been through one parliamentary reading in 1978. But the Assembly is saying, in a letter to the Council, that the proposal has changed so much since then that it is duty-bound to give it a first reading again. This means it would have to go through the whole legislative process again.

EC officials acknowledge that the Parliament could be within its legal rights. The insurance scheme is among 13 long-delayed directives which the Assembly has voted are so out-of-date that they need drastic revision. Its legal affairs committee is expected next week to demand that all of them except the insurance scheme should be scrapped.

Israel sanction puts Brussels in quandary

BY DAVID BUCHAN IN BRUSSELS AND ANDREW WHITLEY IN JERUSALEM

LEADERS of the European Community were yesterday pondering their next step after the European Parliament's unexpected refusal to approve new economic accords with Israel in protest at Israeli actions on the West Bank and Gaza.

Officials of the Council of Ministers' secretariat, the civil service in Brussels, said they were taking legal advice on what to do. Renegotiation of the EC-Israel agreements does not seem to be an immediate option because the Parliament was objecting not to the agreements' content, but to Israeli policy in the occupied territories.

In Jerusalem, the Israeli Government responded in conciliatory tones to the European Parliament move. It hoped the agreement, lowering duties on a wide range of farm produce, would soon be resubmitted for ratification.

The Parliament's failure to endorse a protocol dogged with controversy from its inception was the first tangible mark of international censure of Israel since the Palestinian unrest began three months ago.

A mild Foreign Ministry statement expressed "disappointment" that MEPs had not managed "to separate an essentially technical and economic issue from "their opinions regarding the situation in the [occupied] territories."

Officials from both the European Commission and the Foreign Ministry acknowledged yesterday that the Parliament's action had taken the fate of the treaty into uncharted waters. But comfort was being drawn from the fact that the European parliamentarians had not questioned the substance of its contents. "No one disputes the terms of the treaty, only the timing," said Mr Gwyn Morgan, the EC ambassador in Tel Aviv. The expectation is that the agreement will be sent back to the Council of Ministers, which will then resubmit the document to Strasbourg for ratification at a less politically charged moment.

Beaming phantom candidate teases journalists and rivals alike

BY PAUL BETTS IN CHATEAU-CHINON

PRESIDENT François Mitterrand went back to his political roots yesterday by paying an official visit to his old constituency of Château-Chinon in Burgundy.

Some 400 journalists, photographers and television crews from all over the world had gathered in the small town in hopes that Mr Mitterrand would finally announce, as he did seven years ago before the 1981 presidential election, his decision to run for a second mandate at the Elysée.

Adding to the suspense, Mr Mitterrand, who has infuriated his opponents on his right by refusing so far to disclose his intentions, arrived half an hour late. After he stepped from his helicopter, a convoy of gendarmes rushed to the army's new printing centre at Château-Chinon which he officially opened.

Smiling like a Cheshire cat, he then visited a new avant-garde fountain adorning the little square opposite the Château-Chinon town hall where he served as mayor until his election in 1981. He lingered around the fountain chatting amiably to journalists and local dignitaries, looking pleased at the inevitable flood of questions about his plans.

But he remained his enigmatic self, preferring to talk about art and culture. Even though the Elysée had warned journalists not to expect any declaration, many still hoped that the President would drop a hint.

No such luck. In the gymnasium where he decorated a few local citizens, Mr Mitterrand made a short speech expressing surprise and undisguised pleasure that so many people had turned up to attend the occasion. "I'm sure this sort of gathering doesn't happen every day at Château-Chinon," he said.

But even the mayor, his friend Dr Rene-Pierre Signe, failed to squeeze out the smallest indication of his intentions. Mr Mitterrand simply answered: "For today, let's just keep everything *entre nous*."

Mr Mitterrand made it clear he intended to turn his visit into a nostalgic pilgrimage to his old haunts. "This is an occasion to see old friends and pick up the strands of old conversations," he said. After all, Mr Mitterrand first became a member of parliament by winning the Château-Chinon seat in 1946 and holding on to it until his election to the Elysée.

Château-Chinon has become for Mr Mitterrand what Colombey-les-deux-Eglises was for General de Gaulle. Mr Mitterrand always used to stay at the local inn, the Vieux Morvan, where he was a close friend of the owner, Jean Chevrier, who died last December. For nearly 40 years, he always had a room permanently at his disposal at the inn.

His election to the Elysée gave the town instant fame. But not content with this, Mr Mitterrand set up a museum at Château-Chinon to mark his seven-year presidential term. Today, more than 100,000 people have already visited the "Musée du Septennat" where the President's official gifts are exhibited.

"I remember Mr Mitterrand driving round the countryside in a Citroen *traction-avant*," said one local in a cafe in the town centre. "It's funny to see him arrive in a helicopter now."

But yesterday's visit to Château-Chinon was not just an exercise in nostalgia and folklore. It was a polished political performance by a man who has invented a new form of political campaigning in France by pretending not to be campaigning at all. Even though Mr Mitterrand has yet to declare himself officially, the socialists are already setting up for their *candidat implicite*, as he has become known, a special campaign headquarters in a building in the Rue Franco-Russe near the Eiffel Tower in Paris.

Mr Mitterrand's non-committal and amused attitude in the current campaign is causing not only frustration among journalists but rage among his opponents on the right, intensified in the last few days when Mr Lionel Jospin, the socialist secretary general, compared him with General de Gaulle.

So far, Mr Mitterrand's strategy seems to be working. While his two opponents on the right, Mr Jacques Chirac and Mr Raymond Barre, have been struggling to win public attention by proposing a whole string of socially progressive reforms, all Mr Mitterrand has had to do to command the headlines is to appear in public as the *candidat implicite* and say absolutely nothing, as he did yesterday at Château-Chinon.

E German economy encounters trouble

By Leslie Colitt in East Berlin

EAST GERMANY'S highly planned and until recently dynamic economy has run into serious growth problems.

East European economics officials said 80 per cent of East Germany's giant *Kombinate* (industrial trusts) failed to fulfil last year's plan targets.

"The economy had zero growth in real terms last year," one East European trade co-ordinator in East Berlin said.

East Germany said it had 4 per cent growth last year compared with a target of 4.5 per cent. A West Berlin economics institute noted, however, that growth was closer to 3.5 per cent.

East Germany's leader, Mr Erich Honecker, recently exhorted industrial managers and their controlling ministries to speed up investment projects, noting that last year's performance was "unsatisfactory."

The East European economist stressed that the more complex the East German economy became, the more difficult it was to control company results from the centre.

"Until now their answer was simply to introduce new controls but this no longer appears to work," one expert noted. If results did not improve measurably this year, he said, pressure would grow on Mr Honecker to introduce economic reforms as in other Comecon countries.

The officials spoke ahead of the opening next Sunday of the Leipzig Fair, the largest East-West trade exhibition. East Germany and its Comecon partners continue to suffer from the fall in oil prices, as a large part of their hard currency earnings derives from selling oil to the West.

East German trade with West Germany fell 5 per cent last year to DM14.5bn, after a drop of 9 per cent in 1986.

Leslie Colitt, recently in Budapest, reports on an effort to open channels for dialogue

Hungarian reformer fighting on two fronts

Mr Imre Pozsgay: squeezed between the opposition and the conservatives in the Party

MR IMRE POZSGAY, the popular Hungarian Communist reformer, typically found himself squeezed last week between the opposition, which he wants to engage in a dialogue, and the conservatives in the party leadership, who thoroughly distrust him.

"I am constantly fighting on two fronts," Mr Pozsgay, leader of the People's Patriotic Front (PPF), commented at the party's headquarters on Budapest's Danube Embankment.

Until recently, the PPF was just another East European national front organisation whose main role was to organise entirely predictable elections.

But the Communist leadership of Hungary under Mr Janos Kadar is faced with a serious economic situation and a deeply suspicious population. "The party's authority," Mr Pozsgay notes, "is very small and it is widely mistrusted."

In order to gain a semblance of support for the party's economic austerity programme, Mr Kadar agreed to allow Mr Pozsgay, who is a member of the central committee's "inner circle," to organise a nationwide debate on previously taboo political issues.

He was also encouraged to extend the PPF umbrella to include citizens who are severe critics of the party. On both scores, Mr Pozsgay has already gone too far in the eyes of conservatives in the Politburo.

They were angered when he urged the authorities not to interfere with a scheduled meeting last week of the Embankment Club, one of many spontaneous discussion clubs which have arisen in Hungary. The PPF had previously refused the club permission to hold a third meeting in its rooms, pending "political authorisation" from above.

The party had severe doubts about several members of the opposition who attended the previous meetings. Despite what Mr Pozsgay called a "catch 22" situation, the club, however, met last Friday – not in the PPF building but in a rented hall, where it discussed Hungary's "new poverty."

Mr Pozsgay also approved a meeting in a Budapest theatre last Sunday of the Forum of Democrats, Hungary's largest civil rights organisation.

It was formed last September at a gathering of 150 reform-minded economists and writers who were addressed by none other than Mr Pozsgay.

He offered the support and facilities of the PPF which, however, the Forum turned down out of fear, he believes, that it would lose its independence. Afterwards he said the meeting was useful and "progressive" although he could not agree with everything said.

The Forum's first public meeting on January 30 was a turning point in Hungary's political development. Nearly 500 people, many of them prominent Hungarians representing a wide range of backgrounds, packed Budapest's Jurta Theatre.

Some 30 speakers sharply criticised the authorities and called on those attending to resist the opponents of the reforms. The Forum's organisers said many more sympathisers would have attended the gathering had the party not warned their members to stay away.

A statement approved by all but seven of the participants and issued after the meeting confirmed the worst fears of party conservatives. It called for a "radical" reform of the Communist system and the abolition of the present uncontrolled "monopoly of power."

Hungary, it said, needed a democratically elected parliament which was responsible to the electorate. To this end a new electoral law was to be drafted.

The only official reaction was from the Government newspaper, Magyar Hirlap, which claimed the statement contained nothing new and that the questions discussed had been publicly debated "for a long time."

The Hungarian Government spokesman, Mr Rezso Banyasz, insisted in an interview last week that the organisers of the Forum meeting had in fact prohibited party members from attending it. "I ask you, is this democratic?" he queried.

The Prime Minister, Mr Karoly Grosz, and other Hungarian officials, he said were ready to discuss "any ideas to improve this society and Government." But those who did not want such a dialogue, he noted, were "not welcome" in Hungary.

"Hungary will remain a Socialist country whether they like it or not. We will remain an ally of the Soviet Union, like it or not," Mr Banyasz cautioned. He spoke disparagingly of a "very small group" in the opposition which believed that the "worse things got" in Hungary, the better it was for them.

By contrast, Mr Pozsgay stressed that if the party tried to preserve its "present positions of power and methods" then it would be unable to renew itself.

"If the party can guide the masses to modernise the country, then it will have the leading role," he said. "If not, it won't."

Pluralism, Mr Pozsgay emphasised, must begin with the party, whose members, rather than the central committee, should elect the head of the party. Such a grass-roots, horizontal structure of the party was attempted in Poland during the Solidarity era but was throttled by the Polish leadership.

Mr Pozsgay cautioned, however, against a situation in which Hungary could become "destabilised" as happened in reform-minded Czechoslovakia in 1968.

"This is why we need a dialogue between all groups," he explained. "In order to mark the limits. The alternative to a dialogue is constant pressure which may have to be suppressed."

His own position leading the reform process, he admitted, was extremely delicate. He dismissed a view held by some members of the opposition that he was in the pocket of the party.

"Some people think my courage is authorised by the party but, believe me, it is untrue," he said. "I am not concerned with my own personal fate."

Asked what he would do if his reformist goals were thwarted by the party, Mr Pozsgay reflected and replied that, in that case, "they would become the goals of the opposition."

"Then I would fight from a genuinely Marxist position together with the opposition," he said.

Gorbachev announces inquiry into ethnic riots

By Christopher Bobinski in Moscow

MR MIKHAIL GORBACHEV has signalled that problems among the Soviet Union's many nationalities are of serious concern and that growing of tensions poses a threat to his reforming policies.

The Soviet party leader has told top party officials that "not a single question of *perestroika* can be solved without due attention to its impact on ethnic relations."

"The progress of *perestroika* requires the concerted, determined and close-knit work of all the working people, representatives of all nationalities of the Soviet Union," Tass, the Soviet news agency, quoted him as saying.

Mr Gorbachev was speaking at a meeting called to assess the situation in the Transcaucasian republics of Armenia and Azerbaijan after demonstrations and ethnic clashes, sparked by demands that the Nagorno Karabakh region be transferred from Azerbaijan to Armenia, led to 34 officially admitted deaths.

The Soviet politburo has agreed to a request by the Armenian party for a commission to examine the reunification demand, and has ordered the central secretariat, the party's executive arm, to undertake a fundamental study of the accumulated problems in the Nagorno Karabakh autonomous region.

The formula falls far short of the Armenian demand while spreading the responsibility for any recommendations emerging from the study among the entire leadership. This suggests the problem is seen by the Kremlin as too serious, and the attendant political risks too great, for any single official to allow himself to be identified with it.

By contrast, last year the Soviet leadership appointed Mr Andrei Gromyko, the president, to chair a commission to examine demands by Crimean Tartars to be allowed to return to their homeland.

Indeed the tone of the communiqué after the meeting – which heard reports by party leaders in both the republics, Kremlin officials who had been on the spot seeking to control the situation, and key figures in the leadership like Mr Igor Ligachev – suggests that forthcoming proposals will fall far short of the central Armenian demand for reunification.

At the moment all that can be expected is for additional funds to be pumped into the area and pressure put on Moslem Azerbaijan to make cultural concessions to the Christian Armenians living there.

The Armenians suspended their demonstrations in Yerevan on February 27 after Mr Gorbachev told them he would examine the problem and resolve it "justly." They have threatened to renew their action on March 25.

Goria government draws towards a close

BY JOHN WYLES IN ROME

THE highly troubled Italian government led by Mr Giovanni Goria will begin to draw to a close this weekend in anticipation of the Prime Minister's resignation in the second half of next week.

The lower house of the Italian parliament, the Camera, is expected to give the final approval to the 1988 budget today, thus completing the prime task the Goria Government was meant to accomplish when it was put back on its feet in mid-February.

An embittered Mr Goria resigned then because of a string of 17 defeats over budget provisions for which members of his own Christian Democrat party, under the anonymity of secret votes, were largely responsible. Only an undertaking to resign once the budget was out of the way has kept his unruly party in line.

Mr Goria's departure will launch a crisis whose outcome is difficult to predict, even by Italian standards.

Those who wanted to bring down the 44-year-old accountant from Asti did so largely to force Mr Ciriaco De Mita, the Christian Democrat secretary, out of the party leadership and into the premiership.

Mr De Mita has spent the past three weeks negotiating with leaders of his party's most powerful factions, from which it has emerged that he will be the Christian Democrat candidate for the prime ministerial offices in the Palazzo Chigi.

At the same time, the party's congress, at which he would be seeking re-election at the end of April, looks likely to be postponed.

But there are still severe doubts about whether Mr De Mita really wants to risk being just another politically fragile Italian prime minister unless he is sure of remaining the dispenser of real power and patronage as leader of the country's largest party.

He is already stating terms unlikely to be accepted by his principal interlocutor, Mr Bettino Craxi, the Socialist leader whose backing is needed for any coalition without the Communists.

Mr De Mita wants firm commitments to a government lasting the full remaining four years of this Parliament so that it can grapple with institutional reform and "the appointment with 1992" – the full creation of the European Community's internal market.

Nations agree convention on terrorism at sea

By John Wyles

SEVENTY SIX countries meeting under the auspices of the UN International Maritime Organisation yesterday agreed a new international convention against terrorism at sea.

The convention mirrors one drawn up in Montreal more than a decade ago governing the handling of air piracy and hijacking. Among other things, it guarantees prosecution of those who have committed terrorist acts, against shipping either in the country in which they are detained or through extradition to other directly interested nations.

The signatories are expected to include all of the western countries, the Soviet Union, Latin American, Asian and African nations as well as all of the Islamic countries, Iraq and Iran included, and Israel.

Diplomats have been congratulating themselves on the relative speed with which the negotiations have been completed since they began in earnest last year. The initiative was Italian, taken in conjunction with Egypt and Austria and with US backing.

All four were involved in 1985 when the Achille Lauro cruise ship was hijacked by four Palestinian terrorists who killed one American passenger.

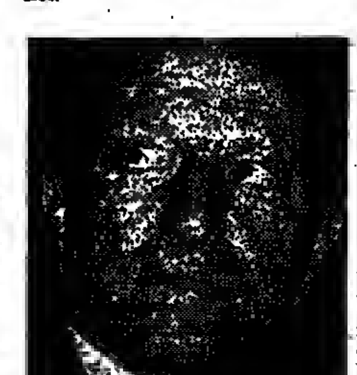
Fiat director arrested

BY JOHN WYLES IN ROME

MR FERDINANDO BORLETTI, a member of the main board of the Fiat Group, has been put under house arrest following magistrates' investigations into illegal arms trading and currency offences.

Mr Borletti, aged 66, was president until last autumn of Valsella Meccanotecnica, a Brescia-based manufacturer of mines, 50 per cent owned by Fiat, which has been at the centre of an inquiry into illegal arms trading with a number of Middle East countries.

The Milanese businessman spent 10 days in prison last September during the early stages of the investigation. He has consistently denied committing any illegal actions, and says that all Valsella exports have been officially authorised and that the trades under suspicion took place between 1982 and 1985, when he had no direct involvement in the company.



Borletti: arms trade inquiry

Clash of titans on industry post

BY JOHN WYLES

MR SERGIO PININFARINA, the car designer and industrialist, was yesterday elected to the top representative and lobbying post in Italian industry, the presidency of Confindustria, after an unusually public disagreement between Italy's two industrial titans, Mr Gianni Agnelli and Mr Carlo De Benedetti.

Mr Pininfarina succeeds Mr Luigi Lucchini, the steelmaker who has held the job for the past four years. Most criticism, with which Mr De Benedetti identified himself yesterday, has focused on the method adopted for identifying a successor. But in an environment where the stiletto is always accompanied by a polite smile, this has been the cover in many cases for the belief that Mr Agnelli's Fiat group was imposing its nominee on the organisation.

Mr De Benedetti was reported as complaining that he had learned only from newspapers that Mr Pininfarina had emerged from a sounding process as the first choice for the presidency. "He is a gentleman, but not a strong man," he said of the designer from Turin before abstaining from the vote.

Speaking after the meeting, Mr Agnelli, whose manners are always impeccable, pointed out that the qualities of a gentleman and strong man were not "antithetical." The president of Fiat then added his own endorsement. "I have known Pininfarina and his family for a very long time," he said.

Yesterday's De Benedetti-Agnelli clash was one for the connoisseurs, since the relationship between the two is tinged by rivalry and fundamental differences of approach to business. Mr De Benedetti was Fiat's managing director for 100 days in 1976 but resigned because of differences over strategy with his employer.

Mr Pininfarina, 62, heads a family-controlled company employing 2,000 people in car design and body shell manufacturing. Fiat reportedly accounts for around 40 per cent of his annual turnover of around L350bn. He is also a Liberal European MP.

Bundesbank 'had no part of £ rise'

By Our Foreign Staff

THE Bundesbank did not take part in the UK's recent decision to allow sterling to rise against the D-Mark but was involved in earlier rounds of open market intervention, Mr Karl Otto Pohl, Bundesbank president, said yesterday.

"It was the UK government's own decision," Mr Pohl told a news conference. He added that the Bank of England had earlier bought considerable volume of D-Marks with the Bundesbank's agreement.

The pound had held within a narrow DM2.95 to DM3 range for nearly a year until last Monday, when the Bank of England stopped resisting upward pressure. Sterling is currently trading just below DM3.07 marks.

Mr Pohl was reluctant to comment specifically on the meaning of sterling's movement for continuing international agreements to stabilise exchange rates and coordinate economic policies.

But he did point out that a key ingredient of these agreements has been consistency in open market currency intervention.

He said that once a currency trend had been agreed, one central bank should not be selling a particular currency while another was buying the same currency.

Mr Pohl also declined to comment on what sterling's rise would mean for the pound's much rumoured entry into the exchange rate mechanism of the European Monetary System, which he has repeatedly campaigned for in recent years.

He said the UK had been trying to resolve the eternal conflict between how to deal with domestic problems and maintain set exchange rates at the same time.

If sterling had been a member of the EMS rate mechanism, there would have been a realignment, he said. But he added, "The way they did it was more elegant."

Mr Pohl stressed the need for continued co-operation and consultation to make both the international and European monetary systems work well.

Dutch women's welfare rights fall foul of treaty

BY LAURA RAUN IN AMSTERDAM

THE NETHERLANDS is considering pulling out of the United Nations treaty on civilian and political rights because it feels it cannot afford to treat men and women equally in its generous welfare system.

If women received the same welfare benefits as men it could cost the government Fl 7 bn immediately and another Fl 2bn a year after that.

"The current system was supported by a political majority," said Mr Jan de Koning, minister of social affairs. "Equal treatment is ensured in a reasonably acceptable way in that system."

But that is not how many others see it. The European Court of Justice recently told The Hague it must retroactively pay married women jobless benefits and the Central Council of Appeal, the highest Dutch authority on the welfare system, declared two schemes in violation of the 1979 UN treaty.

Women's groups argue that they pay welfare premiums just as men do.

The centre-right coalition government of Christian Democrats and Liberals contends that the generous Dutch social security system was founded on the notion of a "breadwinner" as head of the family. Since most women are married, the Government reasons, they don't need benefits of their own.

By the end of this month or beginning of next the Social Affairs Ministry will present to Parliament a brief on the Netherlands' international obligations to women.

Legal experts are studying whether it is possible to abrogate the UN treaty which requires equal treatment of men and women, to reject certain articles, to interpret it differently or to comply with it conditionally.

Fewer women work outside the home in the Netherlands than anywhere in Europe except Ireland and Spain.

Brussels considers tougher rules on N-waste records

BY WILLIAM DAWKINS IN BRUSSELS

THE European Commission is considering new rules for the labelling and control of radioactive waste as a result of the row over allegedly faulty records of the transport of nuclear material in and out of the Mol reprocessing plant near Antwerp.

Commission investigations into the transport of waste between Nukem, a nuclear fuel company based in the West Germany town of Hanau, and the Belgian plant, showed an inability to track the movement of nuclear waste, said Mr Clinton Davis, the environment and transport Commissioner. "This one fact gave rise to a range of irregularities," he told a European Parliament Committee of inquiry into irregularities at Nukem and Mol yesterday.

He said there was no sign of irregularities in the mode of shipment or the containers used in shipping nuclear material between West Germany and Belgium, though labelling was not up to the standards required in many member states. The new rules, expected to be put forward by the Brussels authorities within the next few months, will stipulate how nuclear waste can be labelled in such a way that it can be tracked from its place of origin through processing and treatment to final storage.

Nuclear waste is generally made by concentrating a large number of barrels of material into a single container of sludge, compacted solids or ash. One problem at Mol was that records of the amounts of material brought in for processing and where it came from do not appear to have been accurate.

EC member states meanwhile have asked for legal advice on whether the committee should be allowed to summon ministers and national officials.

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Chinese reconsider Tibetan policy

By Robert Thomson in Peking

TRUCKS carrying Chinese armed police were yesterday driven through the streets of the Tibetan capital, Lhasa, in a show of force, while in Peking senior party officials met to reconsider their Tibetan policy.

The Panchen Lama, a party-approved Tibetan spiritual leader, is at the centre of the deliberations. Before Saturday's pro-independence protest, in which perhaps 20 people died, communist reformers were encouraging him to take on a higher political profile.

However, the Panchen, who had encouraged lenient treatment of protesters arrested late last year in Lhasa, has attempted to cover his political tracks by announcing that those Tibetans should have been "punished severely" and that he was "shocked" by Saturday's demonstration.

The "separatists" had totally misunderstood the Government's policy on Tibet: "They regard the central Government's forbearance as a sign of weakness, assuming that the more violently they riot, the more we shall give in."

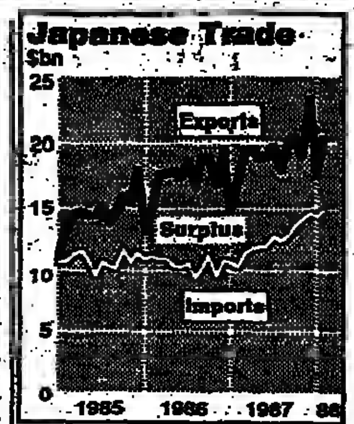
The statement is typical of a leader who has attempted to balance the conflicting demands of Buddhism and Communism, but has played a key role in the relaxation of party control over religion.

He is second in rank to the Dalai Lama, who fled Lhasa in 1959 after a failed uprising. The anniversary of the Dalai's flight was a reason for the heavy police presence in Lhasa yesterday.

Last month, the Panchen condemned Chinese in Tibet for their ignorance of Tibetan culture and was the first to admit that Chinese police had opened fire during the protests last year.

South Africa appeal

The legitimacy of South Africa's state of emergency and restrictions imposed on 18 anti-apartheid groups in February are to be challenged in the Cape Town Supreme Court, Jim Jones writes from Johannesburg. Yesterday four of the groups appealed to the court on the validity of the state of emergency itself and on last month's restrictions, which are said to be too wide.



Growth of imports into Japan resumes sharp increase

THE growth rate of imports into Japan resumed its year-old strong rising trend last month after a slight decline in January, according to customs-cleared figures published yesterday by the Ministry of Finance, Ian Rodger reports from Tokyo.

The figures also show that the US has finally joined the list of countries benefiting handsomely from the opportunities in the Japanese market.

Imports from the US in February soared to $3.4bn, 51.9 per cent higher than in February, 1987.

Imports from the European Community were up 61.3 per cent at $1.8bn, while those from South East Asian countries rose 45.3 per cent to $3.6bn. Overall, Japan's imports last month, at $14.9bn, were 48 per cent higher than in the same period last year.

Some economists said this new record level and the continuing upward trend showed that Japan's economy is accomplishing major structural change. One pointed out that the portion of manufactured goods in the February import totals reached an all-time high of 49 per cent.

Exports too continued to rise, at least in dollar terms, up 17.2 per cent to $20.2bn, although they were down 1.4 per cent in yen terms. Some economists believe the resilience of exports is a temporary phenomenon caused in part by the demand for Japanese capital goods for factory expansions elsewhere in the world.

General and electrical machines were among the main categories of exports showing growth last month, while the main consumer product categories, cars and electronic goods, were flat or down.

The overall trade surplus in February fell 26.5 per cent from a year earlier to $5.2bn.

The trade surplus with the US fell 14.3 per cent to $3.39bn. Exports to the European Community rose 22.3 per cent to $3.8bn, resulting in a bilateral trade surplus for Japan of $1.9bn. Japan's trade surplus with South-east Asian countries totaled $1.2bn, with exports there up 27.9 per cent to $4.9bn.

Suharto's re-election disturbed by outburst

By John Murray Brown in Jakarta

THE largely ceremonial re-election of Gen Suharto as Indonesia's president was disrupted yesterday when before a packed assembly a senior army officer took to the podium to criticise the way the contest for the vice-presidency is being handled.

Brig Gen Ibrahim Saleh complained that the "nomination of vice-president is not being fairly and correctly carried out," before being led away.

The unscheduled interruption by Gen Saleh is the first public display of military disaffection over the issue of President Suharto's running mate, which – for the first time – is to be settled by a vote of MPs today.

Gen Sudharmono, currently State Secretary and head of Golkar, the government party, is expected to win. However, the decision by Mr John Naro, head of the Moslem United Development Party, to contest the election has thrown the house into confusion.

After a long battle, hill tribes seem nearer deal with Bangladeshi Government, writes **Alistair Guild**

Chittagong guerrillas come closer to winning peace

AN END may be in sight to a 14-year-old guerrilla war in Bangladesh that successive governments have more or less denied ever existed.

The conflict, between government forces and people from 13 tribes living in the Chittagong Hill Tracts, has seen atrocities on both sides, and it is one which both sides now appear keen to settle.

That now seems possible after a series of secret meetings at the end of last year between tribal leaders and a National Committee for the Hill Tracts. The committee was set up last year and includes, significantly, Bangladesh's High Commissioner in New Delhi, Mr Faroque Ahmed Chowdhury.

The Shanti Bahini guerrillas, financed out of the Tk50m ($1.59m) raised in taxes from any contractor, farmer or businessman operating in the area, are thought to be under some pressure to reach a settlement.

Behind the conflict has been the hill tribes' central anxiety that they are in danger of losing their cultural, ethnic and economic identity in a tidal influx of plains people.

The committee's programme stops short of tribal demands for self-government but promises to involve tribes far more closely in decisions about the administration and development of this scenically beautiful area.

The largest settlement of mainly Muslim Bengalis in the 13,000 sq km of dense monsoon hill-forests took place during the mid to late 1970s.

The tribes, generally Buddhist and Animist by faith and Indo-Mongoloid in appearance were largely non-farming people. But the growth in their populations made it necessary to bring valley floors under the plough. Practised farmers from the plains around Chittagong were encouraged to settle in the hill tracts to farm and cultivate.

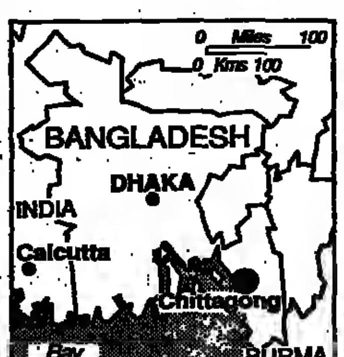
The British recognised the right of the new inhabitants to own land with the Hill Tracts Manual of 1900. But it also gave pre-eminence to the tribes' system of rajahs, or kings, three being given responsibility for administration, tax collection and the maintenance of law and order within a certain radius.

This degree of self-administration continued until 1955, when a team from Canada and the US proposed a massive hydro-electric project in the hill tracts, the Kaptai Dam.

The Pakistan Government (Bangladesh was East Pakistan before it was established in 1971) decided that development on such a scale could only proceed if the area was centrally administered from Karachi.

The rajahs' authority was thus diminished, although the Government did not formally abolish the hill tracts' "tribal character," as enshrined in the manual of 1900.

The Kaptai dam was inaugurated in 1962 and it flooded the most fertile and extensive valley floor; 54,000 acres of good farm land was inundated, and 100,000 tribal people displaced.



They were to receive total compensation of Rs40m, though the net value of the area's crop production every year was Rs50m.

However, even the Rs40m did not all reach the tribes. Some was mismanaged, some misappropriated. Worse still, the National Committee stresses, there was no coherent, comprehensive programme for the rehabilitation of displaced people.

Nonetheless, the dam not only produced electricity, but opened up many otherwise inaccessible areas. Timber and paper mills and a cluster of other industries were established at Chandraghona, and the lake was opened up for tourism. It became easier for both the tribes and the more recent arrivals to bring in much needed bamboo, timber and other forest products.

The commissioning of the dam encouraged inward migration by many Government workers and other non-tribal people who had previously been deterred by the difficult terrain, lack of roads and drinking water.

Finally in 1964 the Pakistan Government formally abolished the hill tracts' tribal character, extending the fundamental rights of the rest of the country into the area.

Both decisions resulted in a sizeable influx of non-tribal people, sparking anxiety about their ability to retain their individual identities. When, in 1975, a parliamentary form of government was replaced with a Presidential one, allowing only one party and banning all but two newspapers, tribal leaders' anxiety once more increased.

Some put out feelers across the border to the neighbouring Indian state of Tripura, seeking support for their cause in arms and money, with limited success.

In 1982, President Ershad stopped any further settlement of non-tribal people in the area while outbreaks of violence prompted many Bengalis to return to their original homes. By 1986 the non-tribal population had fallen to 160,000.

But now, according to one observer, the fighters are running short of weapons. They once received arms and ammunition through dealers in Bangkok. But then the route across Burma closed when the Burmese Communist Party lost control of the corridor to rival factions.

Iran-Iraq missile war at end

BY RICHARD JOHNS

THE vicious exchanges of long-range missiles between Iraq and Iran, which began on February 29, looked last night as if they had come to an end with both belligerents clearly exhausted by 11 days of reciprocal bombardment.

Iran said that it would make no more strikes after 5pm local time. Mr Mir-Hossein Mousavi, the Prime Minister, said its decision had been taken in response to a plea by Mr Turgut Ozal, his Turkish counterpart.

Earlier, Iraq had signalled its willingness to end the missile exchanges with Iran, saying that it would stop its attacks if its enemy did the same.

Iraq laid down conditions for ending its attacks. The first was that Iraq should make the last bombardment as, Baghdad says, Iran initiated the exchanges with two missile attacks on February 29. It is believed to have fired the last missile in the prolonged duel.

Baghdad's announcement was made after a meeting of the Revolutionary Command Council presided over by President Saddam Hussein. It appeared to be prompted by the Soviet Union's initiative at the UN Security Council aimed at halting the latest and most deadly round in the "war of the cities."

The Iraqi overture also seemed to reflect concern about the damage to civilian morale resulting from nearly 30 Iranian strikes against Baghdad. By its own count Iraq has now launched more than 50, nearly all of them against Tehran.

Arabs target Israeli economy

BY ANDREW WHITLEY IN JERUSALEM

THE underground leadership of the Arab uprising in the occupied territories yesterday called for increased economic action against Israel.

In a clandestine leaflet, the 10th of its kind, it urged businessmen not to pay their taxes, accountants not to co-operate with the Israeli authorities and consumers to boycott Israeli goods where substitutes were available.

Prof Michael Bruno, governor of the Bank of Israel, told a press conference that the three-month disturbance had not yet had a significant effect on the Israeli economy.

"Except for textiles, sales of merchandise [to the West Bank] have not gone down," he said.

In another development, Jewish settlers reacted furiously to remarks by Mr Yitzhak Rabin, the Defence Minister, that the army's task in controlling the unrest would be much easier if it were not for the 70,000 settlers.

"The problem would be much simpler if all the territory was Arab territory, void of any settlements. It would be very simple to close off the area, not to have to handle problems of keeping transport lines," he said.

The minister disclosed that between a third and a half of forces deployed in the occupied territories were devoted to the security of the main roads.

On Wednesday night, troops intervened to break up a violent clash in Hebron between Arab demonstrators and settlers hurling stones at each other. A fight also erupted earlier in the week along a main road between residents of the settlement of Ariel and nearby Arab villagers.

Malaysian MP re-arrested

By Wong Sulong in Kuala Lumpur

MR KARPAL SINGH, a prominent opposition member of the Malaysian Parliament, was re-arrested by police on Wednesday night, hours after he had been granted a writ of habeas corpus from the high court against his four-and-a-half-month detention under the Internal Security Act.

He was picked up at a road block as he was driving back to his home state of Penang with his family. The police had earlier abandoned an attempt to re-arrest him at the Sikh temple, where he had gone to pray after being freed by the court.

No reason was given for his re-arrest, but it is understood the authorities still regard him as a threat to national security.

Opposition parties and social groups have condemned the re-arrest, and Mr Lee Lam Thye, acting opposition leader and head of the Democratic Action Party, describing the action as "a mockery of justice."

Brazil climbs down over bank pay rise

By Ivo Dawnay in Brasilia

MR Mailson da Nobrega, the Brazilian Finance Minister, has been forced to climb down in his bid to halt a pay rise for 120,000 workers at the Banco do Brasil (BB) – the federal bank that combines both retail and central bank activities.

After dismissing the BB's president, Mr Camilo Calazans, on Monday for authorising the 40 per cent wage increase, officials have found that the rise is legally payable under a Superior Labour Court ruling made last year.

In a face-saving gesture, however, the Government has withheld a 15 per cent bonus, paid to Central Bank employees, with whom the BB's staff were seeking pay parity.

The dispute between the Government and the bank's employees is important for its public relations impact in the latest struggle by Mr Nobrega to contain state sector pay.

Last week he lost a battle with ministerial colleagues to freeze civil service and military pay for three months in an effort to hold down government costs and stem inflation.

The Central Unico dos Trabalhadores, the left-wing union confederation, has warned that it will launch a general strike if there is any tampering with the inflation-indexing mechanism introduced last year to protect workers from price rises.

President Jose Sarney was yesterday considering mass dismissals of thousands of civil servants hired after an official recruitment ban imposed in January. Other "extremely drastic measures" were promised by the President last week.

Uruguay 'no' to UK

A British military transport aircraft which made an emergency landing in Uruguay on Tuesday night has been refused permission to continue its journey to the Falkland Islands, Tim Coone reports from Buenos Aires. Uruguay argued that it wished to remain neutral in the UK-Argentina conflict over the Falklands, and that to have allowed the aircraft to continue would have broken that neutrality.

Kemp bows out of Republican presidential race

BY LIONEL BARBER IN WASHINGTON

CONGRESSMAN Jack Kemp of New York, the football quarterback who became the standard bearer of the Reagan tax-cutting revolution, yesterday bowed out of the Republican presidential race.

Mr Kemp, 52, withdrew after a series of fourth-place finishes which dashed his hopes of becoming the conservative alternative to the overwhelming favourite for the Republican nomination, Vice-President George Bush.

Mr Kemp vowed to lead the conservative crusade in the future and said that, on the night of his crushing defeat in the Super Tuesday elections, he had drawn inspiration from a note sent by one of his young daughters which quoted the British war-time prime minister Winston Churchill.

In a choked voice, Mr Kemp, flanked by his family and friends in the House of Representatives, read Mr Churchill's words aloud: "Success is never final, failure is never fatal. It's courage that counts."

At a press conference in Washington, Mr Kemp refrained from endorsing any of the other Republican presidential candidates who include Mr Bush, Senator Robert Dole of Kansas and the former television evangelist Mr Pat Robertson, but he said he would support the eventual nominee. He did not expect to be a vice-presidential running mate, he said.

Mr Kemp acknowledged he was running as an underdog but said 1988 would not be his last campaign. However, he confirmed that, after 18 years, he was giving up his Congressional seat in Buffalo, New York state.

He said he was conferring with his family on his future. He said there was a remote possibility he would challenge Senator Daniel Patrick Moynihan for the US Senate seat in New York.

Shultz cools Congress criticism of Shamir

BY LIONEL BARBER

MR GEORGE SHULTZ, US Secretary of State, has persuaded members of Congress to stem their public criticism of Mr Yitzhak Shamir, the Israeli Prime Minister, on the eve of his crucial visit to Washington to discuss the latest American peace initiative in the Middle East.

Mr Shultz – who wants to retain maximum leverage during next week's talks – told House lawmakers that he did not want to box in Mr Shamir and thereby increase his intransigence.

At the weekend, 30 US senators signed a letter expressing dismay that Mr Shamir appeared to be abandoning the policy of trading "land for peace," which they said had to be part of any settlement of the Arab-Israeli settlement.

Though the letter also criticised the Palestinians and Jordan, it was an unusual burst of public criticism by senators, several of them long-standing supporters of Israel. The White House warmly endorsed the letter earlier this week, a further sign of US frustration over Israeli measures to curb violence in the occupied territories of the West Bank and Gaza Strip which have led to at least 90 Palestinian deaths.

Mr Shultz is aware that Mr Shamir represents probably the most flexible wing of the Likud party, which is philosophically opposed to giving up the occupied territories and which is part of the coalition Israeli government. But he has invested considerable effort and prestige in his own plan to resolve the Arab-Israeli conflict.

Mr Shultz has just returned from a 22,000-mile tour of Middle East capitals to promote the US plan, which envisions an international meeting, a limited period of Palestinian self-rule in the occupied territories and negotiations on a final settlement based on land-for-peace.

US officials indicated yesterday that Mr Shultz was prepared to wait until the middle of March before receiving a definitive response

Bahamas hit by drug-related violence

By Athena Damianos in Nassau

A BAHAMIAN magistrate's car was firebombed in Freeport, the industrial centre of the Bahamas, on Wednesday, while two men were shot in an aircraft on a tiny cay yesterday morning in an apparently drug-related incident.

Two Bahamians were leaving the private island of Chub Cay, a sports fishing haven, some time after midnight when their aircraft was ambushed on the runway. It is not known how seriously they were injured.

At about 2am on Wednesday, Magistrate Fayne Thompson's car was firebombed outside his home. Mr Thompson is perceived as being a hard-liner on drug offences.

During the past two years, there has been a sharp increase in criminal activity in the Bahamas, particularly in theft and armed robberies. The authorities attribute this to the country's cocaine addiction problem. Dr David Allen, who headed the National Drug Council, estimates that at least 10 per cent of people between the ages of 15 and 25 are addicts.

Until recently, there was no serious threat to the drug trade in the Bahamas, where widespread corruption reaches to official levels.

Two cabinet ministers had to resign in 1984 when a commission of inquiry linked them to Colombian and American drug traffickers. The commission stopped short of pointing a finger at the Prime Minister, Mr Lynden Pindling.

Haitian colonel on drugs charge

A US FEDERAL grand jury on Wednesday charged a Haitian army colonel with helping to smuggle Colombian cocaine into the US, Reuter reports from Miami.

Col Jean-Claude Paul heads the 500-man Dessalines Battalion, the largest military unit stationed in Port-au-Prince. Federal law enforcement officers said the indictment against Col Paul was immediately ordered sealed, but government sources told Reuter that it accused him, his former wife and his brother of transporting cocaine destined for the US.

Japanese raise EC local content

BY IAN RODGER IN TOKYO

JAPANESE companies have raised the local content level in their European factories in the past year, apparently in response to pressure from the European Commission and European governments.

The average local content ratio among 191 manufacturers in Europe in which Japanese companies have at least a 10 per cent interest was 55.9 per cent last year, according to a survey by the Japan External Trade Association (Jetro). A survey earlier in the year put it at 44 per cent.

Jetro said the rapid increase was largely in response to the imposition by the Community last year of a mandatory local content ratio of more than 40 per cent on products qualifying as European.

The measure was designed to prevent the Japanese from establishing so-called screwdriver plants in Europe that did little more than assemble components imported from Japan. It was alleged that in some cases components were imported at unfairly low prices to circumvent EC anti-dumping duties.

This week the EC imposed dumping duties on five Japanese-owned typewriter makers in Europe for importing components at unfairly low costs.

Jetro's survey, carried out between September and December last year, found that the UK remained the most popular base for European operations among Japanese companies. Britain has 68 establishments, West Germany 53, France 38 and Spain 33.

The survey said the level of local content varied largely according to the time the company had been operating.

Advanced processing and assembly industries, such as electronic and precision equipment industries, had been operating in Europe for an average of 6.4 years. Their local content ratio was 51.7 per cent.

All others, which had been operating on average for more than 10 years in Europe, had a local content ratio of 72.8 per cent.

Of the 50 advanced processing companies which indicated they used local sub-contractors, 32 said they were unhappy with the quality of the output of these sub-contractors.

Companies in other industries cited problems with deliveries. Of the 62 companies reporting increased local content ratios, 48 said they had done so through finding satisfactory local suppliers, 20 by raising in-house production of components and 16 by purchasing from locally-based subsidiaries of Japanese or other foreign parts makers.

Of the 154 companies who responded to a question on profitability, 55.1 per cent were profitable and 19 per cent more were at break-even.

Toshiba in S Korea venture

BY IAN RODGER

TOSHIBA, the Japanese electrical group, and Samsung Electronics of South Korea are setting up two joint ventures to produce video cassette recorders and VCR components in Korea.

The planned output, about 600,000 units a year and a similar number of chassis and other components, will be shipped mainly to the US market.

Toshiba said yesterday it wanted to expand production of VCRs in the US, now at a nominal level. The ventures with Samsung would be a step in that direction and would provide competitively priced components for assembly at Toshiba's plant in Tennessee.

Details of the investment and shareholdings in the joint ventures are still being worked out. Toshiba said production in Korea was expected to begin this summer.

Toshiba, which is still under threat of trade sanctions in the US because of illegal exports of sophisticated machine tools to the Soviet Union by one of its subsidiaries, exports about 1m VCRs a year to the US

Australian funding for China

By Robert Thomson in Peking

AUSTRALIA has joined the countries offering concessional finance packages for China. It will provide A$200m (£80m) over the next three years for projects involving Australian companies.

The package is the first of its kind by the Australian Government, which has been reluctant to provide soft loans. It has, however, conceded that it has little choice, since most West European countries and Japan have introduced such programmes for China.

The money will be provided at an interest rate of around 1 per cent and will be available for select ventures approved by the two countries. Projects being considered include a copper plate plant and an iron ore unloading facility.

At a meeting of economic ministers from the two countries, Chinese officials criticised the Australian surplus in bilateral trade. It appears that China is to intensify pressure on all countries with which it runs a deficit.

The attacks on the deficit, which the Chinese said was A$1.4bn on total trade of A$2.3bn last year and the Australians estimated at around A$600m, came in spite of an increase of 47 per cent in China's exports to Australia last year and a 7 per cent fall in Australia's exports to China.

Helsinki group to open Soviet duty free shop

By Olli Virtanen in Helsinki

A RETAIL company based in Helsinki has won a contract to open a duty-free shop in the Soviet Union in May.

The shop, in the port of Leningrad, will sell goods ranging from alcohol and food to fashion accessories, and will cater mainly for tourists. The Finnish company, First International Expocentre, plans to open similar shops in other Baltic ports and on the Black Sea.

Mr Stephen Lowe, managing director of Expocentre, said the duty-free shop may later be converted into a joint venture with Soviet companies. The turnover target for the first full year is FM300m ($73m).

Aer Rianta, the Irish airports authority, and Aeroflot, the Soviet airline, recently signed an agreement to run two duty-free shops at Moscow's Sheremetyevo airport.

Export credit insurance syndicate planned in US

BY NANCY DUNNE IN WASHINGTON

IRVING TRUST of New York said yesterday it was taking the lead in forming an export credit insurance syndicate to be owned and managed by multi-national corporations.

Speaking at a US Export-Import Bank seminar Mr R. Michael Rice, executive vice-president of Irving Trust, said such an organisation would offer a full range of export credit, political risk and other trade-related insurance.

Irving Trust has defied the trend in the US, where trade credit is limited, and committed substantial resources to export financing. Mr Rice called on exporters to recognise the "harsh realities" and not to expect commercial banks "to come stampeding back into lending" now that exports are booming.

The solution to creating new capacity has to come from the export community," he said.

Mr Rice did not name any partners in the planned insurance company although it is known the bank has been speaking to several companies.

He said there were many structural forms the company might take. It would be designed to fill the gaps in Eximbank lending, such as down-payment financing, multi-sourced products and defence equipment lending.

He said Eximbank had its best-ever programmes for exporters but there were limits to what it could do within its budget authorisation and restrictions imposed by Congress as well as by agreement with the Organisation for Economic Co-operation and Development.

"A private export insurance company working along with Eximbank would help the US regain its place in world trade," he said.

PANAMA AT THE CROSSROADS

Anti-Yankee sentiment fires General Noriega's officer corps

BY DAVID GARDNER

IF PANAMA'S army has a message, it is splashed in primary colours on the barracks wall here at Rio Hato base, on the Pacific shoreline of this strategic isthmus joining North and South America.

The mural depicts a column of brown-skinned Panamanian soldiers, workers and peasants, dealing death-blows to a giant, Aryan-featured soldier with US insignia on his epaulette.

Nearby, slogans on walls summarise the pithy thought of Gen Omar Torrijos, the flamboyant populist who saw himself as a "general of the people" and "soldier of Latin America." Torrijos, who was killed in an air crash in 1981, led the military to power in a 1968 coup and negotiated back the Panama Canal from the US in the 1977 Torrijos-Carter Treaties. Perhaps the most remembered of Torrijos' bon mots was "I do not want to go down in history, I want to go into the Canal." Rio Hato is a World War Two US Air Force base converted by the *15,000-strong Panama Defence* Forces (PDF) into its military academy. Today's cadets chanting aggressive anti-Yankee doggerel as they march are the officers and NCOs who will take over full control of the Panama Canal in the year 2000, when, according to the 1977 treaties, the last US soldier is due to leave.

US Southern Command, headquartered in Panama, has 10,000 troops spread over 14 bases and a vital regional listening post. Whether or not they do leave in 2000 is a central, if hidden, part of the battle now going on between General Manuel Antonio Noriega, the PDF commander and de facto ruler of Panama, and the Reagan Administration, which is providing the backbone for local opposition efforts to topple him.

Commanders at Rio Hato are conscious that an outcome in the US struggle to remove Gen Noriega is imminent. Captain Francisco Porras, the young director of the officer's academy, the Gen Tomas Herrera Military Institute, is a close Noriega ally.

He sees the US campaign to oust Gen Noriega in alliance with the Panamanian Right as part of an historical pattern, an attempt to roll back *PDF* power and neuter its nationalism. In 1955, Captain Porras recalls, National Guard Commander Jose Antonio Remon was assassinated. He had tried to negotiate with the Eisenhower Administration improved rights for Panamanian workers and companies in the Canal Zone.

Remon was accused by the US, and the local oligarchy of corruption, involvement in drugs, and a murder, just as Gen Noriega has recently been, Captain Porras says, and just as Torrijos was also accused of a drugs connection through his brother and the murder of a priest.

Asked if Panama can become a fully sovereign country with 14 US bases on its soil his answer is simply: "No, No, No."

"The US has always tried to turn this into Pnerto Rico . . . and turn [us] into firemen and policemen with a whistle and truncheon," the captain says. "But they will not kill *Torrijismo*."

"They want us to be an army for the rich but we are of the people," says Sergeant Apolonio Aguilar, n black instructor at Rio Hato, adding that "this is why there are no guerrillas here as in El Salvador."

Anti-US sentiment is widespread. One well-placed informant says that the upper ranks secretly voted by 80 to one against allowing the now-closed US School of the Americas training facility to stay in Panama after the 1984 shut-down date stipulated in the 1977 treaties.

Torrijismo, however, is hardly a precise ideology. It is a cocktail of populism and pragmatism in n nationalist shaker. Much of its appeal died with the engaging personality of Torrijos himself, but as far as the PDF is concerned, it justifies their dominance of Panamanian politics.

"The key point about the Panamanian officer is his humble origin," Captain Porras says. The overwhelming majority of the General Staff come from working class or peasant families, which is not the case in many Latin American armies. Most troops and NCOs, and several senior officers, are black, with an aggressive race and class identity of their own, and refer contemptuously to Panama'e merchant class and oligarchs as "rabiblancos" or "white-tails" (who return the courtesy by calling them "sapos" or toads).

There is only one general, Noriega, and 18 colonels. The PDF methodically recruits officers from the ranks. This is not the only sort of leadership they promote. Capt Porras, for instance, next week starts a series of training programmes for trade unionists, to promote "natural leadership." The PDF's Civic Action programme also allows it wide-ranging quasi-political activities, particularly in outlying rural areas where it is the only government.

Under Gen Noriega, wide corruption and a tentacular involvement in all aspects of economic life has tarnished the PDF image left by Torrijos. Gen Noriega, furthermore, has introduced a sinister element by building a parallel military intelligence arm, G2, which he headed for 13 years. Much is made of his personal contacts at all levels of the PDF, but this appears to be largely a form of patronage. It has also led to political neglect outside the PDF.

As a result, although the army appears solid behind Gen Noriega, it is isolated, and faces some form of retrenchment if the general goes.

Mr Ernesto Perez Valladares, a veteran Torrijista political leader, says that for the same reason "the institution [PDF] cannot afford to see its boss leave under fire. Things have to return to normality."

The number two at Rio Hato, a lieutenant of West Indian origin called David Ocalagan, says drily that in the event of Noriega's *withdrawal "logically the institution goes on."* But in what form and with what powers is uncertain.

The rebellion that doesn't interfere with the making of money

REVOLUTIONS in Central America are deadly serious, often taking place amid scenes of indescribable butchery. But in Panama, they are a part-time affair, because its leaders have the serious business of making money to attend to, writes David Gardner.

The leaders of the Civic Crusade, which is co-ordinating the drive to bring down military leader General Manuel Antonio Noriega, are also the directors of the Chamber of Commerce. Commerce is what Panama does for a living.

So after the riots on Tuesday when the military used shotguns and gas to stop the crusade from taking over the streets, the battling heroes of the rebellion switched their soiled *guayabera* shirts for suit and tie, and called a truce for a day to open Expocomer, the sixth national trade fair.

Mr Aurelio Barria, president of the chamber and head of the crusade, in his address to participants from 31 countries attracted by Panama's Colon Free Trade Zone, made a passing reference to the need for "patriotic, civic action to guarantee Panama's future prosperity". Otherwise it was business as usual.

"I don't see that what's going on will necessarily block future business," said Mr Ron Tuplin, a Stratford businessman representing the Hanson Group.

Nor, it seems, did the crusaders who were to be seen admiring the fashion show on Wednesday evening.

Mr Roberto Brenes, another crusade leader, is fond of telling the 150-plus foreign correspondents in Panama City that the country is experiencing a *nine-to-five, Monday-to-Friday rebellion.*

Captain Francisco Porras, director of the 15,000-strong Panama Defence Forces military academy, agrees. He tells a story of policing a teachers' strike in 1982 one Friday afternoon, when the cry came across from a students' picket: "Hey, Captain, see you on Monday morning, but first thing, eh . . .", whereupon the pickets left.

Expocomer, furthermore, is Panama's showcase, and has generated $285m in reported sales, as well as obvious spinoffs for the free trade zone, which last year moved $4.3bn in goods through its in-bond facilities.

The crusade is really relying on the US-backed freeze of Panama's liquid assets to force Gen Noriega out. While it has called new demonstrations for today, it seems more interested in seeing whether the regime can meet the civil service and military wage bill.

It believes the Government will not be able to pay all civil servants in the next few days, and that will put an end to it.

Meanwhile the trade fair revolutionaries can relax.

Shippers discount fear of Canal disruption

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

TO THOSE WHO see it mostly from the deck of a ship, the Panama Canal is little more than the world's most famous short cut – 50 miles of lakes, cuttings and locks instead of 5,000 miles of unpredictable seas around Cape Horn.

Most of the 13,000 ships which transit the waterway each year have little contact with Panama, except when the local pilot comes aboard at Cristobal on the Atlantic side, or Panama City on the Pacific. So far, the increasing unrest in Panama has bypassed the canal, largely because its 7,000 employees have been insulated from the closure of local banks by cash flown in the US.

The US says it is concerned to prevent the disruption of world trade which would be caused by interference with the canal.

But the prospects of serious dislocation of trade appear slight, even if the canal were to close. Since 1979, the canal has been run by the Panama Canal Commission, a US Government Agency with a board of five Americans and four Panamanians.

The treaty which created the Commission provides for the canal to be handed over to Panama in 1999. But Panamanian influence will begin to increase from next year, when a Panamanian will take over the chairmanship from the current American incumbent.

Mr Michael Rhode, the Secretary of the Commission, says any interference with the canal would have a major impact on the international community because of the disruption of trade patterns and the increased cost of transporting goods.

But the Commission's own figures show that most of the important cargoes could be moved by alternative rontes, especially since few oil tankers now use the canal.

The biggest trade flow is between the US and Asia – mostly US exports of grain and coal, with a much smaller amount of manufactured goods, mostly Japanese and South Korean, moving in the opposite direction.

The coal trade has already declined, partly because of competition from Australia and China, and partly because many US cargoes now go via the Cape of Good Hope, where they top up with additional South African supplies.

Traders say Panama traffic could be similarly diverted, and while there would be some disruption, the extra costs involved would he unlikely to cause severe damage to the market for the high quality US product.

In the other direction, containers moving to the US could be offloaded at West Coast ports and transported by rail, as many already are, or sent via the Cape of Good Hope route.

The grain trade would face greater difficulties because the West Coast ports of the US and Canada are too congested to handle diverted Panama Canal traffic.

Australia and perhaps Argentina could make up some of the shortfall, bnt the US would remain the core supplier. So most of the traffic would have to take the long route around Cape Horn, adding around two weeks to the transit time for an average ship.

Brokers say this would probably cause an immediate increase in dry cargo freight rates from around $25 to $30-32. This would be bad news for the Asian consumer, but in the nature of a Godsend to the shipping industry - the extra two weeks at sea would sharply reduce the current overcapacity of tonnage, and almost certainly cause n further increase in rates.

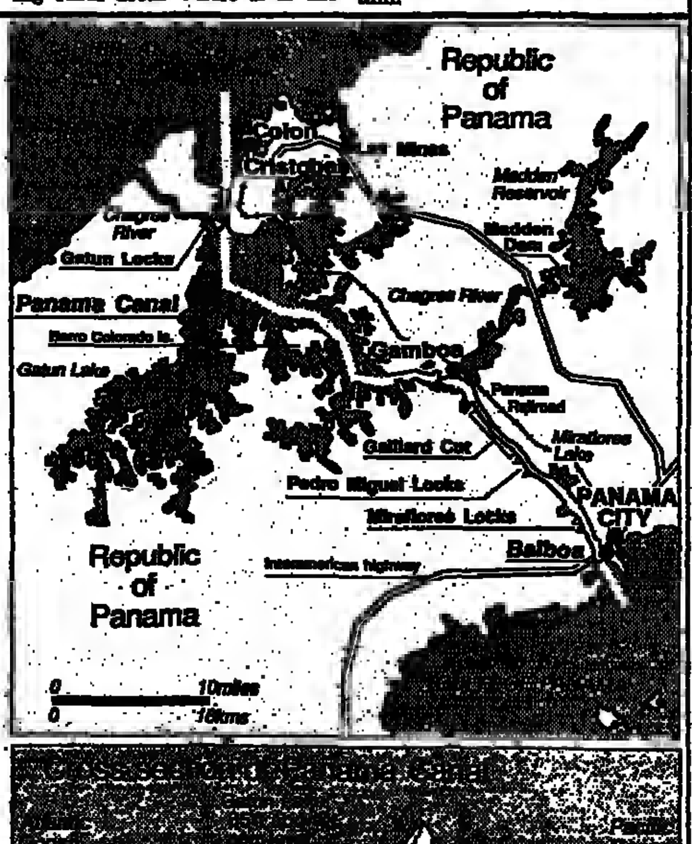
The canal also carries a large amount of petroleum products, but most of this coastal Central American trade which could probably be replaced from other markets. Only a small amount of Alaskan crude oil now transits the canal since most is now moved by pipeline.

The importance of the canal as an artery for world trade is likely to continue to diminish further in future, because the average size of ships is increasing, and an increasing number are unable to pass through the narrow locks.

Smaller ships will continue to use the short cut, but could face delays unless improvements are made to speed up transits, which currently take just under a day.

Little is likely to happen in the short term, however, because of financing difficulties caused by a provision in the Treaty stipulating that US investment must be amortised before the canal is handed over to Panama.

As a result, the Canal Commission has delayed a decision on n $400m plan to widen the one-way Gaillard Cut to take two-way traffic



Government unable to make Y5bn payment

PANAMA told Japanese investors yesterday it could not *make a Y5bn ($31m) bond payment*, Reuter reports from Tokyo.

The country blamed its failure to make the final payment on the 10-year bonds on a cut-off in dollars by the US.

Bankers said Panama's Finance Ministry had instructed its central bank to pay the money, but the bank was unable to, because its funds in the US had been frozen.

Given the confused situation in Panama, Japanese investors have decided against declaring the country in default, bankers said.

Panama has another payment coming due next Tuesday on $421m debt rolled over last year by its foreign banks.

The Government is expected to ask that the payment be rolled over again.

The cut-off in dollars was engineered by ousted President Eric Arturo Delvalle in an attempt to wrest power from the military strongman, Gen Manuel Noriega.

Panamanians have not had access to cash for four working days.

Banks were forced to close last Friday because of an embargo on dollar transfers imposed at the request of President Delvalle, who was deposed on February 26 after he tried to sack Gen Noriega.

Panama resumed limited banking operatione on Wednesday but the financial strait-jacket on the country is tightening.

Bankers saw the Panamanian Banking Commission's decision to allow banks to start taking deposits as meaningless in the present uncertain climate.

"Who is going to deposit money in banks at a time like this?" a foreign banker asked.

He pointed out that the goal of most Panamanians now is to draw money out.

A US judge on Wednesday extended for at least a week an order freezing Panamanian government funds in four Miami banks.

He set a hearing for March 16 for n permanent injunction on what he described as a substantial amount of Panamanian funds.

COMMITTEE OF MPs CALLS ON GOVERNMENT TO REJECT VAT PROPOSALS

EC internal market plan under fire

BY SIMON HOLBERTON

THE EUROPEAN Commission's plan for the completion of an internal market in Europe by 1992 yesterday came under fire from an all-party committee of MPs.

The Treasury and Civil Service Committee unanimously condemned proposals by the EC to harmonise rates of value added tax and excise duties, and called on the Government to reject them formally.

The committee said in its report that the Commission's proposals were flawed and appeared unlikely to be wholly acceptable to anyone.

As part of its plan to harmonise certain consumption taxes the EC would abolish zero-rating, and has proposed two permissible bands for VAT – 14 per cent to 20 per cent and 4 per cent to 9 per cent. There would be standardised rates of duty on tobacco and alcohol-based products.

The committee said the Government should tell the EC formally that it would not consider reforms to indirect taxation that included the abolition of zero-rating. Britain does not apply VAT to items such as children's clothing, fuel and food.

The committee took evidence from Lord Cockfield, the EC commissioner responsible for the internal market and a former government minister, but rejected it outright. It also heard from Mr Peter Lilley, Economic Secretary to the Treasury.

The committee said it was not sure the Commission had convincingly shown that its proposals were necessary for the completion of an internal market.

"The fact that the same product bears a different price in one EC state than in another [encouraging cross-border shopping] is due to a myriad of factors such as currency fluctuations, direct and indirect subsidies, the level of interest rates, preferential government loans, legal, social and market differences," it said.

The committee was also critical of the Commission's proposals for duties on alcohol and tobacco products. It said it did not think it acceptable for duties that reflected, in part, social and health policies, simply to be averaged.

"The European Commission's proposals on the approximation of indirect taxation," Treasury and Civil Service Committee, Third Report. £4.20.

Retailers point to firm upward trend in consumer demand

BY RALPH ATKINS

SALES IN shops and stores grew steadily in February and further growth is expected in March, according to the Confederation of British Industry/Financial Times quarterly survey of distributive trades.

Out of 254 retailers questioned, 44 per cent said sales in February were good for the time of year while only 10 per cent said they were disappointed.

January's results were distorted as exceptionally good weather helped increase sales and this could also have affected February's results.

The survey tallies with official figures showing that the long-term trend for retail sales continues to be firmly upwards with October's stockmarket crash appearing to have had little impact. Figures for February will be published on Monday and are expected to show a further rise.

Mr Nigel Whittaker, chairman of the survey panel, said: "The results of the survey show that solid sales increases have been maintained in February, and retailers anticipate that these good increases will continue into this month as well."

In February the balance of retailers reporting an increase in sales compared with the same time last year minus those noting a fall, was +46 per cent. That was lower than expected and compares with a balance of +67 per cent reporting increases in January.

For March, a balance of +51 per cent expect an increase in sales. Shops selling footwear, leather goods and off-licences are most optimistic about sales in March.

However, expectations have been frustrated in 10 out of the past 12 months. Mr Whittaker said: "The general impression I get from retailers is that they are now talking much more openly about a moderation in the rate of growth."

Distributors' selling prices accelerated in February with a balance of +85 per cent reporting increases – the highest balance since the survey began in 1983. The CBI said there was no need for concern about inflationary consequences because respondents in all three sectors expected price increases to moderate in the next few months.

Retailers appeared more positive in their capital spending plans for the next 12 months and their overall business situation than when last asked in November.

A balance of +5 per cent of retailers said imports formed a higher proportion of deliveries in February compared with a year ago. A balance of +81 per cent reported an increase in selling prices - the largest balance since November 1986.

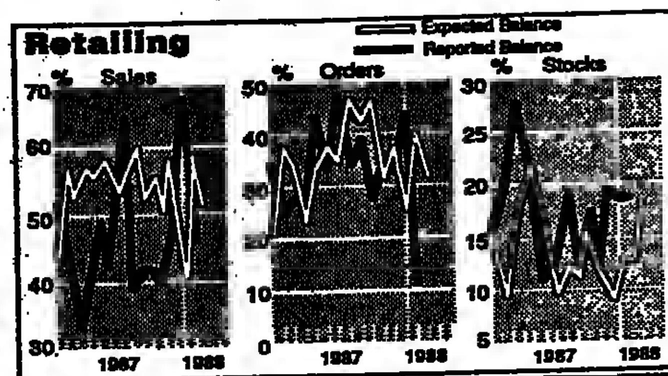
In wholesaling, sales volumes slowed in February with a balance of +53 per cent reporting an increase in sales. This compares with +55 per cent in January and a further deceleration is expected in March.

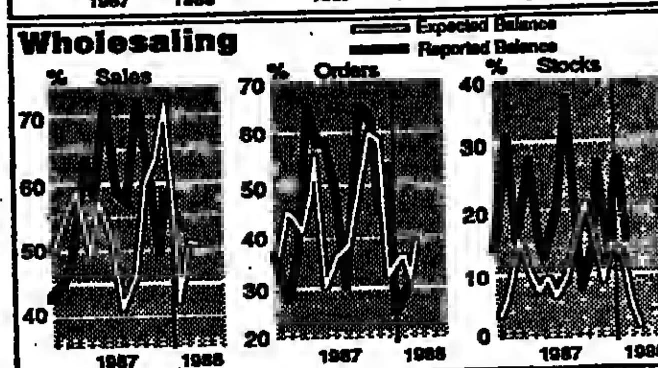
Wholesalers of durable household goods, food and drink were the most optimistic about sales growth.

Import penetration in wholesaling continued to pick up in February, but employment increases were better than expected. The balance of +44 per cent reporting an increase in employment was the highest since the survey began.

Among motor traders, growth in sales volumes in February was much better than expected. Slower growth, however, is predicted for March.

Motor traders were more positive about investment and their overall business situation in February than in November.





Army fraud 'may have run into millions'

By Lynton McLain

THE COST of fraudulent expense claims by former or serving civilian personnel in the army "may well have run into millions, rather than hundreds of thousands of pounds," the House of Commons committee of public accounts said yesterday.

In its latest report on the Ministry of Defence, the committee expressed its astonishment that no disciplinary action was taken against those involved in what the report called an "extremely serious and disturbing fraud."

The blatant control failures that allowed the malpractice to go on for so long were also criticised.

Sir Clive Whitmore, Permanent Under Secretary at the MoD, had told the committee in evidence that the sums involved were "considerably greater" than the £203,000 noted in the 1986-87 MoD appropriation accounts.

The committee was concerned that it had taken the MoD nearly three years to decide on a course of action which, in the end, was confined to issuing warning letters to those involved.

Sir Clive accepted that "with hindsight, given the serious nature of this case, it would have been better had ministers been involved" in what to do about the fraud.

The committee rejected the MoD view that the decision by the director of public prosecutions that the evidence in individual cases would not sustain criminal proceedings was a bar to internal disciplinary action for breaches of rules and neglect of management duties.

House of Commons, Twentieth Report from the committee of public accounts, session 1987-88. Ministry of Defence: Fraudulent expense claims; Meteorological services. House of Commons Paper 333. HMSO. £3.20.

UK companies boost overseas investment

BY RALPH ATKINS

OVERSEAS INVESTMENT by British companies last year was almost three times greater than foreign companies' investment in the UK, according to official figures published today.

Provisional statistics from the Department of Trade and Industry show net direct investment overseas by UK companies was £17.6bn last year. Investment flows into the UK totalled £6.1bn.

The figures cover investments that give the investor a voice in the management of the enterprise and exclude portfolio investments. They also take account of disinvestment by companies.

Overseas investment by UK companies has shown steady growth in the past three years – rising from £8.7bn in 1985 to £11.6bn in 1986.

Inward investment remained constant at about £4.2bn in 1985 and 1986 before rising last year.

The figures, published in British Business, the official magazine of the DTI, show that by far the largest share of UK companies' overseas investment went to the US.

In 1986, the latest year for which a geographical breakdown was available, the US accounted for 58.5 per cent of total investment.

Although US investment has grown markedly compared with 1985, investment in European Community countries has declined.

EC countries took a 21.2 per cent share in 1986 compared with 29.6 per cent in 1985.

Of the EC countries, the Netherlands received the largest share - £1.2bn - of UK company investment in 1986. France was second with £326m, followed by Italy with £190m.

Net investment in South Africa fell from £193m in 1985 to £86m in 1986. Investment in other African countries was £92m in 1986; Asian investment totalled £351m.

Provisional estimates show earnings on UK company investments abroad were £10.8bn in 1987.

That compares with £7.7bn in 1986 and £7.8bn in 1985. Earnings from investments in the UK are estimated at £5.8bn in 1987 against £5.8bn in 1986.

Most investment in the UK in 1986 was by EC countries, which accounted for 57.3 per cent of the total. Investment by US companies took a 31.2 per cent share.

GM in union talks

EXECUTIVES FROM General Motors' UK subsidiaries are expected to meet national officials of the motor industry unions on Monday in an attempt to settle a threatened strike over the company's plans for its pension fund surplus.

International policy expert to quit Bank

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

MR PETER COOKE, a Bank of England official who, for 11 years, has spearheaded international co-ordination of banking supervision, is to leave the Bank later this year.

Officials said Mr Cooke's decision to step down from his position as chairman of the so-called "Cooke Committee" was not connected with other recent departures of top executives. He had taken the decision before knowing about the impending move of Mr Rodney Galpin, head of banking supervision, to Standard Chartered Bank.

It was understood that Mr Cooke, who is 56 and has had a 33-year career at the Bank, opted to bow out this year as agreement nears on proposals he has masterminded for minimum international standards for banks' capital requirements.

Mr Cooke was travelling yesterday and was not available for comment on his future plans.

The capital adequacy proposals, which will take at least until 1992 to implement, were published last December after several years of work by the committee that bears Mr Cooke's name, operating within the Basle-based Bank for International Settlements.

They are designed to shore up the international banking system, to reduce competitive advantages held by banks in countries with looser standards and to make the capital that banks must keep more directly proportional to the risks they assume.

Chairmanship of the Basle committee will pass to Mr Huib Muller, a director of the Dutch central bank, when Mr Cooke leaves in October after a Tokyo meeting of banking supervisors.

Mr Cooke's role has been as a unique international financial diplomat. He has sought to prevent accidents that could threaten the world's banking system, as well as dealing with crises such as the Banco Ambrosiano failure and the debt problems of developing countries.

International co-ordination of supervision has been stepped up considerably following the collapse of West Germany's Herstatt Bank in 1974. The Basle committee was set up in its wake, initially under the chairmanship of Sir George Blunden, now the Deputy Governor of the Bank of England.

Regulators of securities markets, who feel they also need greater international co-ordination, are treating the Basle committee as a model.

Mr Cooke's departure will shorten the odds on Mr Brian Quinn succeeding Mr Galpin as head of banking supervision at the Bank.

W. Germany to upgrade wine sold in Britain

BY LISA WOOD

BRITISH SHIPPERS of West German wine are working with the West German government and wine producers to upgrade the quality and image of its wine sold in the UK.

Britain is West Germany's largest single export market for wine, taking more than 50 per cent of shipments. This accounts for about 30 per cent of the UK light, still and sparkling wine markets.

However, prices of West German wine imported into the UK have been on a downward trend with the product now suffering a severe image problem.

The German Wine Information Service, which acts in Britain on behalf of the German Wine Institute in Mainz, said a long-term strategy had been agreed.

Main measures being laid before West German legislators, include the limitation of yield to ease over-production, and the improvement of labelling to help consumers identify different grades of wine.

B&C sues Montagu over sale agreement

BY CLAY HARRIS

BRITISH & Commonwealth Holdings, the financial services group, yesterday sued Samuel Montagu, the merchant bank, for alleged "negligent mis-statements" on behalf of Quadrex Holdings, the securities firm which last month failed to complete a £280m acquisition from B&C.

In a writ issued in the High Court in London, B&C claimed damages relating to what it claimed were Montagu's assurances that Quadrex had the ability to finance the purchase of the wholesale broking operations of Mercantile House Holdings, the financial services group B&C bought last year.

Montagu last night strongly denied the allegation and said proceedings would be vigorously defended.

This was identical to Quadrex's reaction on February 29, when B&C issued a writ alleging "unlawful repudiation" of the sale agreement.

The B&C writ issued yesterday claimed that Mr Ian McIntosh, Montagu's corporate finance director, had made representations before the signing of the agreement about Quadrex's ability to finance the purchase.

Last week, B&C said Montagu's assurances had been oral, rather than written, although made with the knowledge of the Takeover Panel.

Legal action against a UK merchant bank for statements made during a takeover bid is rare.

In October 1982, a damages claim by Pentos, the bookselling and publishing group, against Singer & Friedlander, the merchant bank, was settled out of court. The case related to assurances made by Singer during Pentos's 1979 takeover bid for Caplan Profile.

Under the settlement, Singer paid Pentos £200,000 plus a substantial contribution to Pentos's legal costs.

In May 1987, Morgan Crucible, the industrial materials and electronics group, sued Hill Samuel, the merchant bank which advised First Castle Electronics during a takeover bid by Morgan in 1986.

The bid eventually succeeded, but Morgan sued Hill Samuel for what it claimed were "material inaccuracies" in relation to a forecast of First Castle's profits for the year to January 1986.

Mrs Thatcher dominates her Cabinet more today than ever, writes **Peter Riddell**

Loneliness of a long distance PM

IMAGINE the scene – a committee room in Whitehall. Enter Mrs Margaret Thatcher at a brisk pace. "I haven't got much time. I've only time to explode and get my own way," says the Prime Minister.

It was, apparently, a joke, though not perhaps one much enjoyed by Mr Nigel Lawson, the Chancellor of the Exchequer, in his recent discussions with her over sterling. This anecdote, now doing the rounds of Westminster, is cited by one Cabinet minister as evidence that even Mrs Thatcher now occasionally has e lighter side.

Margaret Thatcher: unchallenged

Long-serving members of the Prime Minister'e team say the present Cabinet is the most harmonioue and good-humoured they can remember. The Conservaties are riding high in the opinion polls and ministers are busy implementing last June's election pledges. So there is neither cause nor time for squabbling.

Mrs Thatcher is more dominant than ever. Like William Gladstone, the Liberal Prime Minister of the late 1800s, she has outlasted her contemporaries and only Sir Geoffrey Howe, the Foreign Secretary, and Mr Peter Walker, the Welsh Secretary, survive from the Mr Edward Heath's Cabinet of 1970-74. She is distant from almost all her ministers.

She has allies on particular issues like Lord Young, the Trade and Industry Secretary and Mr Nicholas Ridley, the Environment Secretary. Mr Cecil Parkinson, the Energy Secretary, is the nearest to being a crony, and he has re-established himself by successfully pushing through his electricity privatisation plans.

However, since Lord Whitelaw's departure as deputy Prime Minister through illness, there are no figures of independent political weight to challenge her, except perhaps Mr Lawson, though even he suffers the occasional rebuff, and Mr Douglas Hurd, the Home Secretary.

There is no crown prince and none of the pretenders has advanced his position recently. They may have to wait some years for a chance. Among the Cabinet rank-and-file Mr John Major, Chief Secretary to the Treasury, and Mr John MacGregor, Minister of Agriculture, are the coming men, the latter a possible Chancellor.

Many of Lord Whitelaw's duties – chairing the Cabinet's home affairs committee and probably the Star Chamber committee ou public speuding in the autumn – have been taken on by Mr John Wakeham, in addition to his existing roles as Leader of the House of Commons and chairman of the Legislation Committee.

While Mr Wakeham has developed an influential axis with Mr David Waddington, the parliamentary manager, he does not yet have Lord Whitelaw's anthority. He has also made enemies in Lord Young (in helping to block him becoming party chairman) and in Mr Parkinson (delaying his return to the Cabinet). The Cabinet revolves around Mrs Thatcher. With no deputy Prime Minister it meets only when she is in London, and twice in the past month its date has been moved from the usual Thursday to suit her travels.

The full Cabinet is anyway less important than its committees, and particularly the small ad hoc groups which Mrs Thatcher prefers to deal with issues such as the future of the health service. Both the recent decisions on electricity privatisation and the British Aerospace negotiations for the purchase of Rover, the UK carmaker, were largely determined in such informal talks involving the Prime Minister, then discussed by the relevant committee and finally referred to the Cabinet for ratification.

Mrs Thatcher remains the driving force, using her private office to transmit her wishes and instincts to the rest of Whitehall.

Her methods have been highlighted this week with the leak of a letter from Mr Paul Gray, Mrs Thatcher's home affairs private secretary, to his opposite number

Mr Gray'e letter faithfully reflects Mrs Thatcher's instincts and her ingrained suspicion of the educational establishment, notably the officials of the Department of Education and Science and local authorities, dating from her days as Education Secretary from 1970 to 1974.

The tone is the familiar one of distancing herself from the rest of the Government – her battle against the forces of inertia.

And even when concessions have to be made to those outside her control, as over the European Community budget and at last week's Nato eummit, Mrs Thatcher comes out fighting.

Motorola profits surge on mobile telephone boom

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

THE BRITISH subsidiary of Motorola, the US semiconductor group, doubled its pre-tax profits last year to a record £17m, as the company benefited from the boom in the mobile telephone industry and strong semiconductor sales.

Turnover rose by 15 per cent to £299m from £259m, while exports reached £120m compared to £100m in the previous year. Imports amounted to about £150m.

Mr Michael Phillips, chairman of Motorola UK, said yesterday that the gronp intended to increase its investments and capital commitments by more than £50m in 1988, having invested £14m last year.

About £40m will be put into the gronp'e plant at East Kilbride, Scotland, where Motorola is planning to move into full production by the end of this year with a new facility for the latest generation of memory chips.

In addition, the group is increasing its capital expenditure at its automotive and industrial electronics facility at Stotfold in Hertfordshire.

This division recently won a contract as sole supplier of some advanced engine managemeut electronics for the Rover car group.

Government freed to sue DeLorean auditors in US

BY RICHARD WATERS

ARTHUR ANDERSEN, the former auditor of the DeLorean Motor Company, has lost the first stage of its fight to prevent the British Government from pursuing it for negligence through the US courts.

A US judge ruled earlier this week thet the case could be heard in the US, even though it has been brought against Andersen's UK and Irish firms and relates to the failure of a Northern Ireland-based company.

Jndge Charles E. Stewart concluded that there was "a high degree of symbiosis" between the legally separate Andersen partnerships on either side of the Atlantic, justifying the action.

By suing the DeLorean auditors in the US the British Government stands to gain far more in damages. Its claim is for $260m, representing three times the actual loss suffered, plus $20m of punitive damages.

Ironically, the British Government at other times has attacked as unjust the US law which allows plaintiffs to sue for triple damages.

A legal action launched in London for £73m has been held over pending the outcome of the US hearings. Both actions relate to Andersen's andit of DeLorean between 1978 and 1981.

Thatcher and Lawson find accord on sterling

By Michael Cassell and Simon Holberton

MRS MARGARET THATCHER, Prime Minister, and Mr Nigel Lawson, the Chancellor of the Exchequer, yesterday sought to scotch suggestions of a disagreement between them on exchange rate policy and reaffirmed thet control of inflation was the Government's economic priority.

The epparent confusion over strategy, which still lingered after yesterday's events, stemmed from remarks made earlier this week by Mrs Thatcher, when she ruled out action to hold down the pound through exchange market intervention or a cut in interest rates.

The issue is understood to have been raised at yesterday's Cabinet meeting and, afterwards, ministers were trying hard to portray any differences as a question of emphasis, rather than of any fundamental disagreement on strategy.

Despite the attempt at official reassurance, currency markets were unsettled by e statement by the Prime Minister that the market could not be bucked, which appeared to conflict with the Chancellor who said sterling's rise was unlikely to be sustained.

The pound closed lower after what dealers said was another hectic day's trading. It closed 1¼ pfennigs lower at DM3.0675 and ½ a cent down at $1.8425. The Bank of England'e trade-weighted sterling index was 0.1 points lower at 77.1.

In the House of Commons Mr Lawson denied opposition charges that he had made any commitment to prevent sterling rising above DM3.

He said the suggestion was "wholly wrong" but emphasised his belief that any further, significant rise in the valne of the pound, especially against the D-Mark, was "unlikely to be sustainable".

Mr Lawson reiterated his commitment to exchange rate stability, although he emphasised that "stability does not mean immobility".

It was necessary to maintain interest rates et whatever level was necessary to exert downward pressure on inflation.

Questioned in the Commons yesterday Mrs Thatcher firmly restated her determination to maintain the control of inflation as the Government's paramount economic objective.

How Saab created the art of fly-drive

Christopher Lorenz visits the Swedish cars-to-aircraft maker and finds lessons for its would-be emulators

FROM A small town deep in snowy Sweden it is crystal clear why a clutch of major companies in Europe and the United States is rushing to construct a set of integrated cars-to-aircraft combines. But Linköping, from where Saab-Scania has pioneered such "synergy" for 40 years, is also an ideal place to see why it will be hard for the likes of Daimler-Benz and General Motors, and most particularly now for British Aerospace-Rover, to achieve this high-tech dream.

That Saab has benefited from cross-fertilisation between aerospace and automotive technology since the Second World War is without doubt, even if the company sometimes overplays this in its advertising. There is clear evidence, both under the bonnet and outside it, of an aircraft influence on Saab cars, and, in limited ways, on Scania trucks.

Truck engine technology, in turn, has been applied to the cars. More surprisingly, there is now some flow in the reverse direction from truck manufacture to the aircraft side.

The company expects a sharp increase in cross-fertilisation over the next decade (see article below), especially in the application of aerospace-type electronic systems to its high-performance cars.

Yet a long line of hurdles stands in the way of anyone, especially the ill-matched Anglo-Saxon pair, who tries to clone this Viking pioneer. Put simply, there are barriers of almost every conceivable kind: time, technology, experience, corporate culture, and marketing.

Together, they combine into a managerial challenge of daunting dimensions which will be met, if at all, only by marriages between well-matched, technology-strong companies with a remarkable degree of managerial patience. Daimler, Dornier and AEG may prove a suitable "family" but BAe and Rover are an odd couple in comparison.

Wherever you go in the offices and corridors of Saab-Scania's Linköping headquarters, executives remind you of the decades it has taken them to build the essential common denominator of a vehicles-to-aircraft company: a unified engineering culture in which ideas can flow freely from one division, department and discipline to another, without being held back or rejected by the sort of internal suspicion and defensiveness which plagues most engineering companies.

They also point out that the process for managing cross-fertilisation has had to be adjusted sharply several times after lengthy periods of trial and error; the most recent was a radical shake-up in 1983.

Though Saab-Scania managers are cautiously polite about the Daimler, GM and BAe-Rover initiatives, they warn in remarkable unison that it can take more than 10 years to digest a takeover. They are not exaggerating: the original Saab aerospace and car company merged with Scania trucks in 1969, "but it took us until the late 1970s really to start reaping advantage," according to Kai Hammerich, a senior vice-president.

Without the previous 20 years' experience of cross-disciplinary working (the first Saab cars were designed by aircraft engineers), it could well have taken even longer.

Then there is the small but vital matter of Saab-Scania's unusually up-market position throughout its product range. This creates a virtuous circle of technology, marketing and financing.

Saab's symmetry of high-tech, high-performance, up-market products has not only developed a universal internal market for high technology, but has stimulated an internal supply of it, which in turn has developed the requisite critical mass of skilled engineers and technical intensity. And it has enabled the company, through almost all of its product range, to charge premium prices to finance its technology.

The enlarged Daimler group may share this set of enviable characteristics, but GM and especially BAe-Rover do (or would) not. A group which contains some sizeable unbalanced parts – such as the large Austin standard car unit within Rover – will find it difficult to create and afford this virtuous circle, even if some of it (BAe) is as high-tech as Saab-Scania.

Significantly, the Swedish company's executives need no prompting at all to praise BAe: "we admire them tremendously," is a frequent remark. But similar comments about Rover are conspicuous by their absence.

Saab portrays the benefits of cross-fertilisation between aerospace and automotive technology in its advertising

FOR THE PAST six months Saab-Scania has been saving time and money by doing some of its crash-tests of complete new cars on a computer simulation programme, instead of just hurling actual vehicles against concrete barriers.

Tha development of this advanced "strength analysis" system is being controlled by an expert seconded part-time from Saab's aircraft division, which also provides use of its expensive Cray supercomputer.

Rolf Sandberg, head of development and production for Saab's car division, citas this safety research as one of a dozen recent examples of cross-fertilisation between the group's aircraft, car, truck and electronics divisions.

Another is the transfer from aerospace to cars of computer-aided design techniques for complex cable networks; in this case a handful of development engineers from ths aircraft division in central Sweden spent eight months commuting to and from the car division near the country's west coast.

Such examples of Saabian synergy are less widely-known than the group's cross-disciplinary development and application of aerodynamic exteriors, turbo-charged engines, drivers' ergonomic "cockpits", and cable-free "direct ignition" systems.

But up to now they have been the bedrock of the company's cross-breeding of technological strength between its remarkably broad-based activities: not just cars, trucks, fighters, missiles and civil aircraft, but various electronic systems for space technology, military applications, industrial automation, and – latterly – cars.

Such projects are also typical of the range of ways in which Saab-Scania organises cross-fertilisation. Most development work for the various divisions has always been located at their separate sites across Sweden.

Until recently co-ordination between them was left to a relatively informal process in which collaboration grew out of personal contacts. As the need for specific joint projects arose, cross-divisional teams ware set up on an ad hoc basis. Such collaboration spawned further contacts and, in turn, more collaboration.

But, by the early 1980s, "the informal system didn't work so well," says Rolf Sandberg. "There were considerable contacts across the company, but its size had grown." So had the number and the complexity of its in-house technologies. With 14 years' difficult digestion of the Saab-Scania merger behind it, ths decision was taken to stimulate further synergy – and clearer prioritisation between projects – by the creation of a formal co-ordination group.

This consists of the technical heads of each division, their development and production directors, plus a number of other experts. The group meets quarterly at each location in turn.

As well as reviewing progress and defining new inter-divisional projects such as computerised crash testing, it settles the way the costs of working groups will be shared; Saab-Scania has no central research or development.

Leadership of each working group is sometimes given to the division making the biggest contribution, but not always.

George Karnsund: "We should control our electronics too"

From their respective divisional positions, both Sandberg and Magnus Ingemar Olsson, technical director of the aircraft division, stress that it is people, not procedures, who constitute the main channel for Saab-Scania's cross-fertilisation. "We usually don't move people when we put them on joint teams," says Olsson. Instead they do a lot of commuting by aircraft around Sweden, though the company also makes considerable use of teleconferencing.

In addition to the occasional secondment, there are a few permanent transfers. The most notable example of this is between the truck and aircraft divisions. The current aircraft production director worked in trucks until 1981, and has been followed across by five other truck executives in materials purchasing, logistics and production development. "The car and truck divisions are very advanced in production planning and engineering", says Olsson. "We have a lot to learn from them."

As if to ram home the point about cross-fertilisation, Olsson and his aircraft colleagues got a new divisional boss six months ago – a senior executive from the car division.

As well as this introduction of formal synergy-speeding mechanisms, 1983 also brought a more radical organisation change. The old aerospace division was split into two: aircraft and a brand-new unit, the self-standing Combitech ("Combined Technologies") group. This ties together Saab-Scania's interests in advanced technologies – especially electronics – for military systems, space and industrial automation. Though it does make some hardware, its primary role is "as a systems house," says George Karnsund, president of Saab-Scania.

It was Karnsund's belief in the need to give these activities a more entrepreneurial environment, free of what one executive calls "an overwhelming air culture," which led to the creation of Combitech. Constructed as an unusual collection of 13 small companies (now grown to 17), but with formal technology links between them, its sales have doubled to SKr1.4bn (£128m) since its foundation. It still accounts for only three per cent of Saab-Scania's group revenues (SKr41.4bn in 1987), but its strategic importance is out of all proportion.

Combitech has helped in several ways to improve the flow of aerospace systems technology to cars and trucks, but its primary purpose was to accelerate the exploitation of Saab-Scania's systems know-how in sales to third parties. Per Risberg, its president, points proudly to the fact that 80 per cent of its orders last year came from outsiders, and was not aircraft-related.

In a few years' time the in-house proportion may rise. For one of Combitech's prime growth activities is in automotive electronics, which George Karnsund expects to be "the fastest-expanding industrial market for the next five years."

Accused of over-statement, Karnsund jumps up, dashes out of his office, and comes back brandishing an independent expert's prediction of a near-tripling in the "electronic content" of the average American car between now and the year 2000, to around $3,000 a car.

It is not just Saabs and other performance cars which will be affected, he insists. "I'm not talking about fancy electronics at all," he says, "just engine control, transmission, suspension, braking systems and so on.

"The thing that gives an aircraft extra performance these days is electronics," Karnsund says. "The same will happen for cars." He stresses that "the bright changes", as he calls them, will come from complete electronic systems, not just individual gadgets and components.

"Just as we control and develop our own engines and transmissions, we should control our electronics too. We should be the single source supplier to both our car and truck divisions."

It is this sort of logic which is helping to drive motor manufacturers in Europe and the US into marriages with aerospace companies – even though many of them, unlike Saab, have been quite happy to buy-in engines or transmissions from outside.

The attraction of aerospace companies to the motor industry is not their (patchy) expertise in the making of electronic sub-systems of various kinds, but their considerable know-how in the design and engineering of entire systems.

"Our aircraft division has been building up its expertise in the specification of electronic systems since the 1960s," says Per Risberg. "That's what is now starting to happen in the auto industry – people are realising that electronics will mean in the 1990s what it has meant to aircraft for 20 years. Hence all the mergers."

Despite Karnsund's bullishness, Risberg warns that the creation of complete electronic car systems, including automatic sensors for traffic control, "will take a long time – it's a difficult task."

The other main potential area for cross-fertilisation between Saab's aerospace and automotive businesses is in advanced materials, where it has built extensive design and processing know-how. Here Karnsund is much more cautious.

Lightweight composite materials made from glass fibre, Kevlar and especially carbon fibre are all used in Saab's aircraft; a quarter of the structure of its latest military aircraft, the "Griffin", is in carbon composites.

In cars, says Karnsund, "composites will come – perhaps." But he will not say when: their cost is still too high. "By the year 2000 there will be a number of composite parts in chassis systems and axles," says Rolf Sandberg. "But there still won't be much." Hopes are higher for truck drive shafts and other Scania components.

But is it really necessary to have all this technology under one corporate roof? Karnsund's reply is double-edged. "Of course you can do it through collaboration," he says. But a few moments later he adds: "If you're an engineer working for another company, I'm afraid to tell you what I'm doing. It saves time and cost to have us under the same umbrella."

For Saab-Scania, perhaps. But beneath the umbrella of a newly-forged combine there may be decades of future discomfort and post-merger indigestion.

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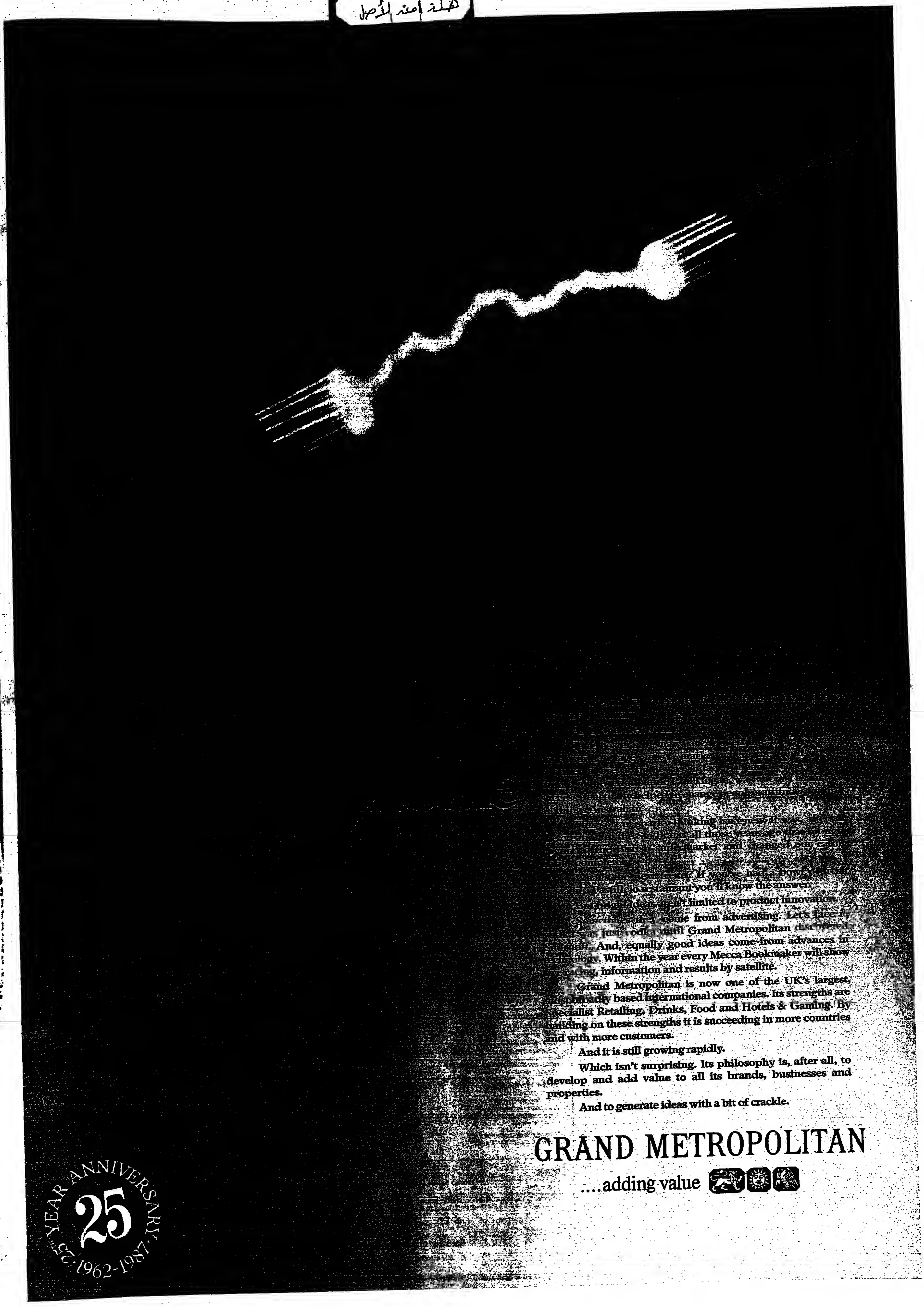
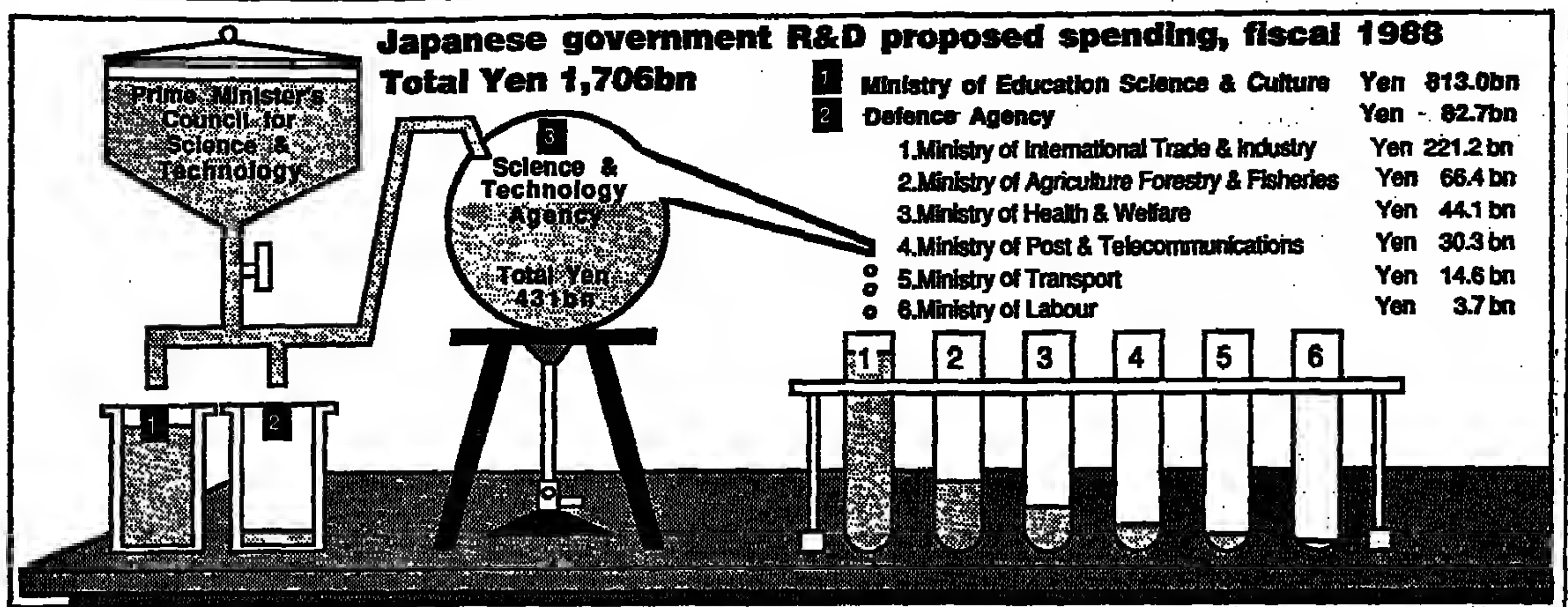




Japan goes public with apparatus for basic experiments

Carla Rapoport explains how the country is preparing to shoulder a fairer share of the world's R&D burden

JAPAN SOAKED the West for its technology when it was a poor country, according to many foreigners. Now that times are good, they believe, Japan is hoarding its own technological advances and refusing to share them with the rest of the world.

Furthermore, the critics claim, the country continues to concentrate on product research, as opposed to more costly basic research. Japan is still lacking in Nobel prize winners. Its first in physiology and medicine, Dr Susumu Tonegawa, lives and works in the US. American researchers, by contrast, find job-hunting in Japan nearly impossible.

The problem is particularly acute for foreign businesses, which recognise that selling to Japan in future depends on participating in research projects today. The US has taken up the research and development (R&D) problem as the latest in its string of bilateral trade talks with Japan.

However, some of Japan's most senior bureaucrats are beginning to make sympathetic noises about how Japan must change its ways. To date, the country's huge leaps in technology have been made almost entirely by the private sector, aided by the guidance and co-ordinating abilities of government departments such as the Ministry for International Trade and Industry (Miti). Now, some senior bureancrats believe the Government must take back the initiative from the private sector.

One such bureaucrat is Soichiro Ito, Japan's Minister of State for Science and Technology. A former political journalist and a Diet member since 1960, Ito, 67, joined the Takeshita cabinet last November. A bouncy, energetic man with a big smile, he cheerfully admits that he did not know that his ministry had its own research laboratories when he accepted the job.

Indeed, tucked away in a dusty wing of the Foreign Ministry, the Ministry of Science and Technology does not appear to have the clout of, say, Miti, which controls 17 research labs and an annual R&D budget of more than Y200bn (£847.5m).

But Ito intends to change that. Miti's influence and support for private sector R&D can continue, but he plans to build his ministry into a powerhouse of government research with centralised control over the R&D policies of all other government departments.

This control, once achieved, will help Japan tip the balance in R&D from the private to public sector. Following that accomplishment, Japan can start playing a less selfish role in the international R&D community, Ito explains.

"It's trus that the total amount of R&D spending in Japan is about half that of the US, and that only 20 per cent of our total is spent by the Government. Our aim is to increase this 20 per cent to 40 per cent. With the increase, we hope more foreign researchers will come to Japan and more basic research will be done here," he says.

This is a mammoth goal for a new cabinet minister, but Ito believes he has both the political strength and the funds to achieve his objectives. "It does seem that Miti has a huge R&D programme and has come up with substantial results. Our agency has a shorter history (it was founded in 1957) and many of our important positions are held by former Miti people. But I stress that we are now the main agency for science and technology in Japan," he says.

"It is true that the general public doesn't know much about us, so I've been telling our people that we must improve our visibility, our pnblic image and explain that we are doing as much and more than Miti," he says.

His ministry, he points out, has fewer labs, but has twice the budget (Y430bn for fiscal 1988) of Miti. Further, Ito sits on the Prime Minister's Council for Science and Technology, the top advisory body on R&D in Japan. Other members include the Prime Minister, the ministers of finance, education, economic planning, but not a soul from Miti.

One of the top priorities of this council, according to Ito, is to step up the Government's role in research and to open Japan's doors to foreigners.

"Japan has borrowed technologies from other countries in building its economy. The time has come to repay those countries for their favours. There is practically no technology which Japan has still to learn from other countries. Japan, therefore, has to carry out technological development by itself. Japan should pursue basic research more enthusiastically," said Ito in a recent government publication.

He readily admits that Japanese researchers in the US outnumber US scientists in Japan by a ratio of 10 to 1. "At present, it appears Japan's doors are closed," he admits. In fiscal 1988, however, his department has budgeted for 100 fellowships for foreign researchers and the Ministry of Eduction plans for a similar number.

As for the private sector, he indirectly criticises Miti for allowing Japanese companies to pursue their own interests to the exclusion of foreigners. "We who are involved in the administration of science and technology must stand back and review the private sector's contribution. We must make sure it is supporting the welfare of people. Sometimes, we may have to stop some activities. If a company is only doing something to make money for its own selfish interests, we may have to step in," he says.

Basic research, he admits, has been neglected in Japan. "We criticise ourselves for not spending enough on basic research. So our goal for the future is to spend more in this area. This is a goal at the cabinet level."

Now that Japan is increasing its defence spending, for example, basic research in this area is also growing rapidly. The projected increase in defence R&D overall will be more than 10 per cent this year.

Ito is harder to pin down on the goals for Japan's basic research efforts, referring to the extremely vague and still unformed Human Frontier Science Programme. This idea was trotted out by former Prime Minister Yasuhiro Nakasone at the last economic summit in Venice. Ito admits that the project's current annual budget of Y300m is only enough for a feasibility study. But he points out that the study is being formed with the aid of foreign scholars. The third meeting of the study group was held in Tokyo earlier this month.

Noboru Takeshita, Japan's Prime Minister, will be talking more about the programme at the next economic summit, according to Ito. The objective, he says, is to "try to find the secrets of how the human body actually functions." Ths results will be shared with all nations.

It could nevertheless be many years before such a programme moves into high gear. In the meantime, Ito will be continuing his battle to centralise and strengthen the Government's role in Japanese R&D.

WORTH WATCHING

Edited by Geoffrey Charlish

Finns take lead in EC flat-screen project

FINLUX of Finland is to lead a European Commission project to develop large flat-screen displays for use in telecommunications networks. The other participants are Matra of France, SGS-Thomson of France and Italy, and Ghent University in Belgium.

Finland is not in the European Economic Community and Finlux believes it has been chosen because of its well advanced work in flat electroluminescent displays. Its displays, currently monochromatic, measure about 8 x 6 inches and are only one inch thick, including control electronics.

The company believes EC work will lead eventually to full-sized flat-screen colour TV sets. It has already demonstrated a monochrome set using the present displays.

Matti Kaitera, Finlux's technical director, says that the aim is "to fend off the Far Eastern competition we expect in the mid-1990s."

Security is in the eye of the beholder

PERSONAL IDENTITY checking systems, made by EyeDentify of the US and based on retinal scanning, are being offered in the UK by Hagen Electronics of Redditch, Worcestershire.

EyeDentify of Portland, Oregon, considered several human attributes that could be used for positive identification, namely, finger and palm prints, written signature, voice, and retinal blood vessel patterns. It found that in terms of uniqueness and stability of pattern, retinal patterns offered the best solution.

The patterns were also preferable in terms of the ease, speed and accuracy with which they could be measured and the resistance they offered to copying or forgery.

The EyeDentify model 7.5 costs under £6,000 and can accommodate 1,200 eye patterns of people authorised to enter a building or office. The eye scanning devices can be networked into a complete system to protect many entrances.

Users simply look into a binocular unit on a wall-mounted box. With 250 individuals enrolled, the unit takes under three seconds to allow or bar entry.

Entering user characteristics into the system involves looking into the binoculars, concentrating on a visual alignment target and pressing a button. In under one minute, a 320-bit digital recording is stored on a memory chip.

Shortlisted for quick change of employment

STAFF RECRUITMENT and job advertising could change dramatically if a computer-based system called The Shortlist finds favour in the UK. Over £3m is being invested in setting up the service, which will go into action on April 29.

Those wanting a job telephone 01-200 4444 for an application form. This is sent off immediately and when completed is returned by post to National IT Shortlist in Wendover, Buckinghamshire.

The details go into the computer database. The employer, for £7,745, gets an on-line screen and keyboard terminal on which he can ask the computer to list and give brief details on candidates.

Once the job profile has been defined by the employer, the central computer selects the matching candidates from one of 10 lists covering a wide spectrum of UK employment. It can be instructed to search locally, in selected areas, or across the whole country.

When an employee-employer relationship has been established, an applicant's full curriculum vitae is released. The terminal can be used as frequently as necessary, at no further charge, although access to each additional list costs £2,245. The full system with all the lists costs £15,000.

National IT Shortlist believes that, unlike others which have tried to get such systems going, it has planned properly for the problems of candidate validity, speed and cost effectiveness for the employer, and confidentiality for the applicant.

It plans to have 50,000 candidates on the lists by May and, with a sales force of 60, has already obtained orders from top companies in the UK. These include Dixons, Express Foods and National Westminster Bank.

Bob Birch, joint managing director of National IT Shortlist claims that "for the first time, personnel managers have a no-nonsense alternative" to advertising jobs or seeking the services of an employment agency.

Tanker protection gains inside edge

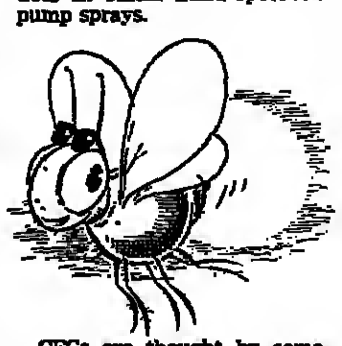
COATINGS MANUFACTURER Camrex, of the UK and the Netherlands, has introduced a product which has been formulated for the linings of chemical tankers. After application, the coating, called Camkote MX, will cure (harden) at temperatures down to 0 deg C.

The material is then highly resistant to such difficult chemicals as methanol, ethanol, vinyl acetate monomer and acrylonitrile. It will not absorb them, even at high temperatures.

Camrex says Camkote MX has a long pot life at both normal and elevated ambient temperatures, so that it offers benefits during application in warm climates. The coating is highly resistant to high temperature tank cleaning, allowing tankers to be turned around quicker between journeys.

Good news for ozone — bad news for flies

VAPONA, a brand of insecticide made by Ashe Consumer Products of Leatherhead in the UK, is to be made available in aerosol cans that are driven by butane gas instead of the much-criticised CFC (chlorofluorocarbon). The company is also offering some of its products in small hand-operated pump sprays.



CFCs are thought by some scientists to be removing ozone from the upper atmosphere, allowing harmful ultraviolet radiation to pass through.

Apart from its ozone-saving implications, Ashe's announcement seems timely, in view of the minor plague of flies currently at large and enjoying the unseasonable good weather in the UK.

CONTACTS: Finlux: Finland, 0 4301. EyeDentify: US, (503) 645 6666. National IT Shortlist: UK, 0296 625303. Camrex (UK): 091 4177006. Vapona: London, 831 6131.

Company Notices

East Daggafontein Mines, Limited.

(Incorporated in the Republic of South Africa)
("the Company")

Options to subscribe for ordinary shares in the Company — extension of the final option exercise date

UAL Merchant Bank Limited is authorised to announce that, as a consequence of the Company having changed its year-end from 31 December to 31 March, it is necessary to extend the final option exercise date.

The terms of the options provide that, in the event of the Company changing its financial year-end, the Company is obliged to alter the option exercise date to a date not less than six weeks after the posting of the Company's annual financial statements to optionholders. It is expected that the annual financial statements will be posted towards the end of June 1988 and, accordingly, the final option exercise date has been extended from Friday, 27 May 1988 to Friday, 12 August 1988.

Each option entitles the holder thereof to subscribe for one new ordinary share in the Company at a price of 700 cents per share.

The listing of options on The Johannesburg Stock Exchange, The Vancouver Stock Exchange and on The Stock Exchange, London, has been extended in like fashion.

A copy of this announcement will be posted to all optionholders who are requested to attach it to their share option certificates thus amending the certificates to take account of the changed final exercise date.

A circular and form for the exercise of the options will be despatched to optionholders by not later than 30 June 1988.

UAL Merchant Bank Limited
(Registered Bank)
A member of the Nedbank Group

11 March 1988

LAFARGE COPPEE

US$ 40,000,000 15½% 1981/1989

On February 26, 1988, Bonds for the amount of US$ 4,000,000 have been drawn in the presence of a Notary Public for redemption on April 15, 1988.

The following Bonds will be redeemable coupon due October 15, 1988 and following attached:

6156 to 6347 incl. 6373 to 6475 incl. 6493 to 6567 incl.
6572 to 6581 incl. 6587 to 6870 incl. 6904 to 7651 incl.
31097 to 33684 incl.

Amount outstanding: US$ 8,000,000

Bonds previously drawn and not yet presented for redemption:

1471 to	1475 incl.	1479 to	1492 incl.	1502	
1516		1560 to	1563 incl.	1661 to	1665 incl.
1682 to	1698 incl.	1704 to	1708 incl.	1820 and	1821
1823 to	1836 incl.	1845 and	1846	2001	
2019		2036 to	2045 incl.	2047 to	2054 incl.
2074 to	2084 incl.	2227 to	2229 incl.	2884 and	2885
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3051 to	3054 incl.	3209 to	3218 incl.	3381 to	3386 incl.
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4058 and	4059	4247 to	4249 incl.	4254 to	4260 incl.
4317 to	4319 incl.	4337		4337	
4362 and	4363	4464 to	4483 incl.	5302 to	5308 incl.
5317 to	5341 incl.	5380 to	5387 incl.	5412 and	5413
5802 to	5804 incl.	26038 to	26041 incl.	26365 to	26367 incl.

Luxembourg, March 11, 1988

The Fiscal Agent
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RM
RAND MINES GROUP
ANNUAL GENERAL MEETINGS

NOTICE IS HEREBY GIVEN that the annual general meetings of the undermentioned companies will be held in the auditorium, lower ground floor, The Corner House, 63 Fox Street, Johannesburg on the dates and at the times shown:

Name of Company (Both of which are incorporated in the Republic of South Africa)	Date of Meeting	Time of Meeting	Closure dates of Registers of Members (inclusive)
Durban Roodepoort Deep, Limited (Registration No. 01/00829/06)	7 April 1988	09h45	1 April to 7 April 1988
East Rand Proprietary Mines Limited (Registration No. 01/00773/06)	7 April 1988	10h00	1 April to 7 April 1988

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote in his stead. A proxy need not be a member of the company.

7 March 1988

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Contracts & Tenders

NOTICE TO WARRANTHOLDERS OF
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BUSINESS LAW

In the second article of a series on the widening of access to legal assistance, John G. Fleming puts the case for introducing contingent fees in the UK

How enterprising lawyers could help the less well off

THE OPREN litigation has led to widespread calls in the UK — from the media, the bench and even in Parliament — for the introduction of the contingent fee as a solution to the evident inadequacy of Legal Aid in supporting tort claims by persons of modest means.

Until the last minute appearance of a "white knight" in the Opren case, a large group of plaintiffs, who were above the Spartan means threshold of Legal Aid, were on the verge of abandoning their claims. While there is no doubt that the contingent fee might have solved their problem, tradition and certain negative perceptions about it — some deserved, others misconceived — have combined to resist its introduction in the UK. What precisely is at stake?

Under the "English rule", the winning litigant is ordinarily entitled to reimbursement of his legal costs, including most of his lawyer's fees, by his adversary. So the loser must pay not only his legal costs but also the winner's.

By contrast, under the "American rule", which developed during the 19th century, each litigant bears his own attorney's fees, win or lose. Despite a legislative trend in the US to authorise "fee shifting" from winning plaintiffs to defendants — to encourage socially desirable private law enforcement in particular areas such as civil rights litigation — the basic rule prevails in full vigour in traditional common law actions for tort or breach of contract.

Justifications for either rule are largely impressionistic. The English rule of shifting the loss to the loser is defended as making the winner "whole" and, to a lesser extent, as punishing wrongdoers. Defenders of the American rule, on the other hand, argue that since litigation is at best uncertain, parties should not be penalised for defending or prosecuting a claim. They add that the poor would be especially and unjustly discouraged if the penalty of losing included the fees of their opponents. While the incentive and disincentive appear at first sight to be equally balanced, the American rule probably favours litigants of modest means, who are apt to be risk-averse, whereas wealthy and frequent litigants tend to be risk-neutral.

The contingent fee does not depart from the basic opposition of the American rule to fee-shifting from winner to loser. Its variation consists only in the special arrangement between the plaintiff and his attorney. As it relieves the plaintiff from his attorney's fee if he loses, it shifts the risk of loss from him to the attorney. For this he has to pay a price, namely a premium on the fee charged to him if he is successful.

The principal justification for the contingent fee is that it provides easier access to justice for plaintiffs, irrespective of their financial means — it is "the poor man's key to the courthouse." The arrangement is distinctly risk-averse in function in that the plaintiff accepts a smaller sum if victorious, rather than running the risk of a greater expense if he loses. It is not he but his attorney who bears the risk, but the latter can better afford to do so because he is able to spread it over all his clients. The attorney thus, in a sense, assumes the role of insurer. He is also a "gate-keeper" because he will, in his own interests, screen applicants for his services.

In sum, the contingent fee system calls for a free enterprise decision, not a bureaucratic one like Legal Aid, to finance litigation.

A variety of objections are raised against contingent fees. Some of these have elitist overtones, ill suited to our more egalitarian times and harking back to an age when lawyers fancied themselves as public champions, rather than as mercenaries who have to earn a living. The most vocal complaint concerns the perception that there would be inordinate windfalls for successful trial attorneys, fed by mega-awards, particularly of punitive damages against corporate defendants, which would receive widespread publicity.

In routine cases, however, such as road accidents, the record speaks to the contrary. In England, the comparatively low awards for personal injury or death (no damages for medical care, no punitive damages and the reduction of the award by the amount of the disability benefit) would set their own curbs. Moreover, means are at hand to impose regulations to deter abuses.

Another concern is that the contingent fee is apt to create conflicts of interest for the attorney. Far from such fees acting as a spur to maximum effort, there is an inbuilt temptation to settle claims below value on a mass volume scale, in the belief that the cost of further litigation would be disproportionate to any profit the lawyer might derive from a larger jury award. As against this, lawyers who are paid an hourly rate have an incentive to do unnecessary work and pad their billing.

Finally, concern has been expressed about the adverse effects on the judicial process. The contingent fee may encourage excessive zeal to win at all costs; but this can be stifled by disciplinary controls. A related complaint is that it promotes unmeritorious litigation; however, this is tempered by the inherent disincentive to pursue unproductive causes.

Undoubtedly, the contingent fee has been the engine that has driven attorneys to lean on the courts in the US to expand legal liability and awards far beyond the scale found in England and elsewhere. But this could not have been accomplished without the co-existence of other factors: especially jury trial, the tolerance of sympathetic judges and the more modest role of social security. The absence of these factors in the UK should dispel any fear of a replay.

A problem which tends to be overlooked by advocates of introducing the contingent fee to the UK is how to square it with fee-shifting from winner to loser. This raises no difficulty when the plaintiff is the victor, as proved by the American experience in civil rights litigation. But what if the plaintiff is the loser?

It is one thing to persuade a lawyer to risk his own fee; quite another to require him to reimburse the defendant out of his own pocket. Or is the defendant to forego his claim to reimbursement, perhaps on the view (implicit in some tendentious comment) that deep-pocketed defendants, especially US corporations accused of deriving "enormous profits" from their operations, are "fair game"? Surely, fairness would suggest that the arrangement cut both ways; in other words, there should also be adoption of the basic American rule that each litigant bears his own costs.

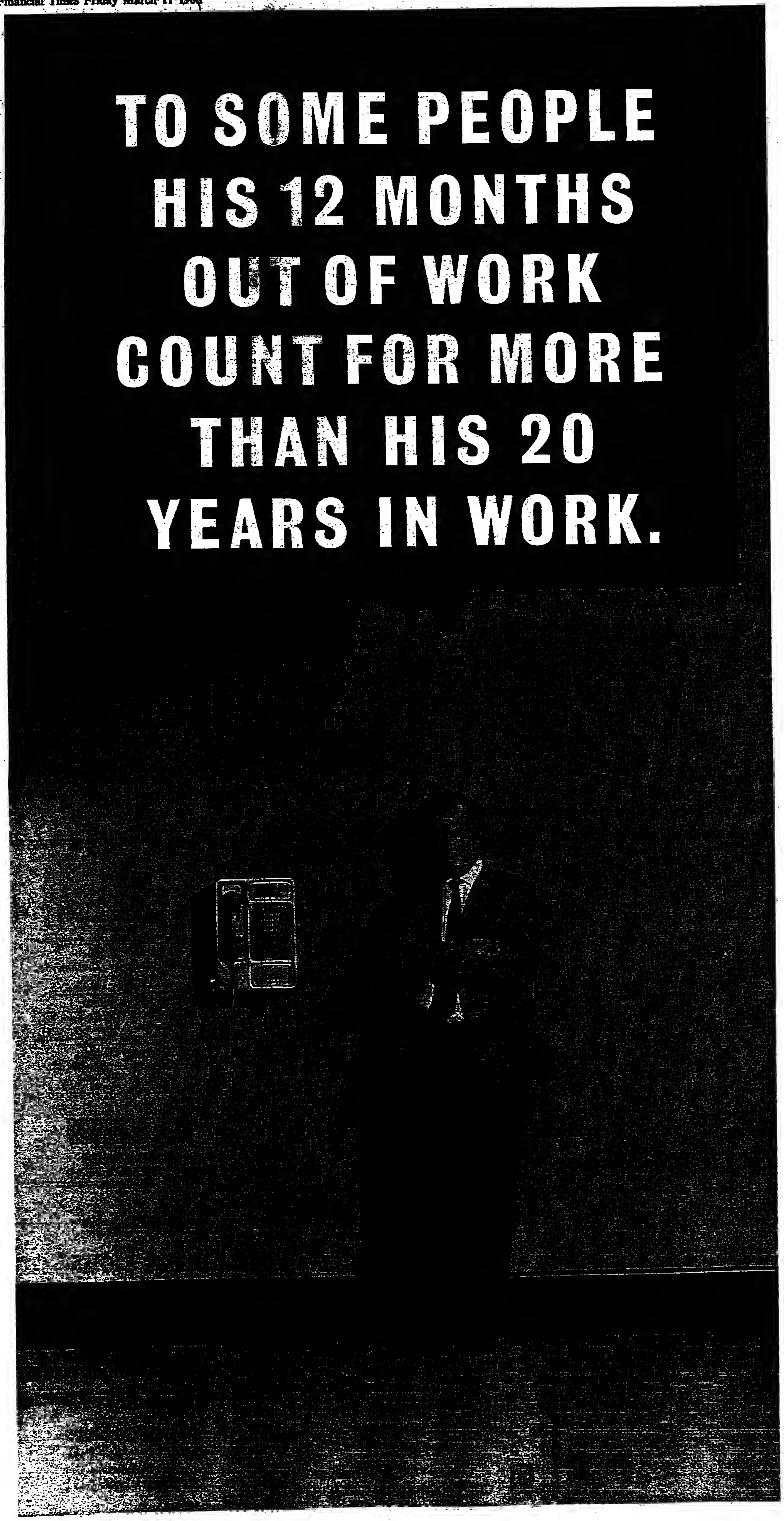
In the mid-1970s, Justice, the UK group of reformist lawyers, proposed a modified form of contingent fees to the Royal Commission on Legal Services. It would have set up a Contingent Legal Aid Fund, interposed between lawyer and client and thus avoiding the undesirable features of the American system. A committee would screen applications, so worthy but difficult litigation would receive support. The successful litigant would pay the fund a percentage of the award, but his lawyer would receive regular fees from the fund in any event. The commission, however, was not persuaded, partly from fear that adverse selection would quickly exhaust the fund, but also because it was thought unfair that the successful should subsidise the losers.

The Opren case appears to have provided fuel for second thoughts. The Lord Chancellor recently expressed his support for a Law Society recommendation that Legal Aid funding of multi-plaintiff litigation should be permitted, regardless of the means of individual claimants. But while this measure would help to give some reality to class actions in England, it would not solve the more general problem of access to justice for the less well off.

The time has never been more propitious for promoting the contingent fee, since it could marshall an alliance between two unlikely bedfellows: left of centre, consumer organisations favouring the underdog; and right of centre, Thatcher supporters who favour entrepreneurism and the reduction of bureaucracy and of publicly funded programmes.

The author is Turner Professor of Law at the University of California, Berkeley, and the Goodhart Professor (1987–88) at Cambridge University. This article is based on his recent lecture at the Centre for Commercial Law Studies, Queen Mary College. His book on the Tort Process in America, to be published in May by the Oxford University Press.

The first article in the series was published yesterday. The next one, on the escalation of litigation in the US, will be published next Thursday.



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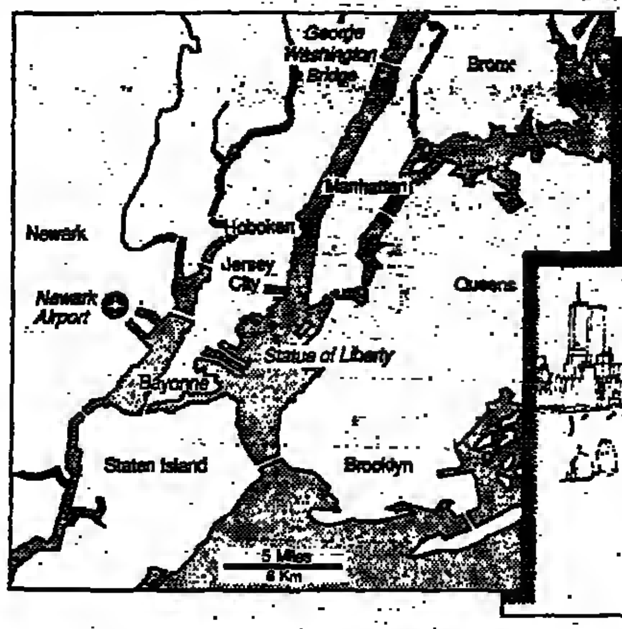
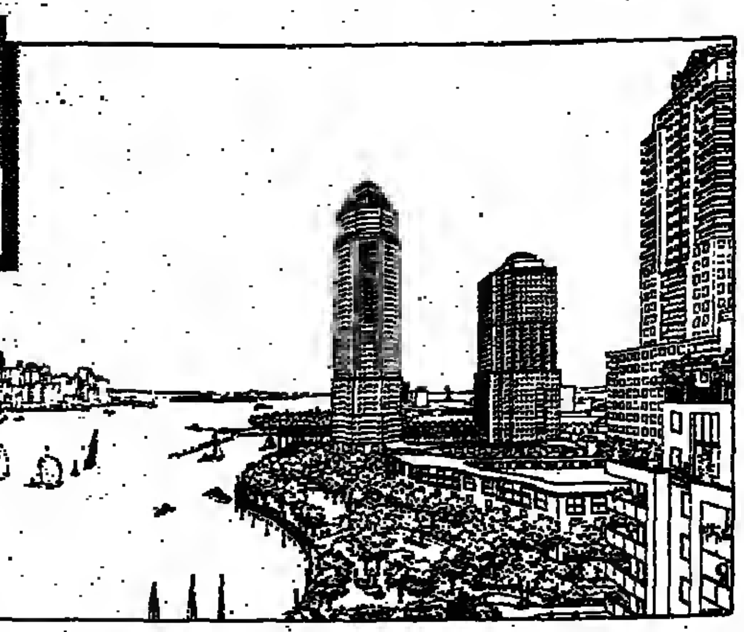
Caution is the key in New Jersey

By Sue Morrow Flanagan





PROPERTY DEVELOPERS on the booming Gold Coast of New Jersey are responding cautiously to the effects of last October's stock market crash.

Major commercial developers, the long term players, expect to sail through any financial shocks and some say there are already benefits coming from corporate moves to low cost locations. But hundreds of small residential developers and speculators who had been riding a boom have seen their market soften.

Just as London Docklands is sensitive to what happens in the City of London, so the prospects for the New Jersey waterfront, one of the major US regeneration areas, depend at least in part on what happens in New York.

The Gold Coast, stretching 18 miles from George Washington Bridge to Bayonne, faces the west side of Manhattan across the other side of the Hudson River. "If Manhattan's economy softens, then we may be getting more workers from New York," said one developer.

The stakes are high. "It's a revolution. We're building a whole new city on the waterfront. In dollars we're talking mega numbers," observed Rick Cohen, director of Jersey City's department of housing and economic development.

For seven years there has been frenzied development. By the year 2000, according to New Jersey state officials, there will have been built 35m square feet of office space, 3.4m square feet of shopping space, 4200 hotel rooms, 42,000 car parking spaces, 6150 boat slips and more than 35,000 residential units.

It all started with a relatively small shopping development, encouraged by a state government concerned to see the transformation of an area which had been a home for railway yards and industry since the nineteenth century. But the traditional industries moved or died during the 1950s and 60s.

Until developers began to shout "Gold", the waterfront communities ranged from slums for ethnic minorities and immigrants to the decaying gentility of Hoboken's brownstone homes. Despite the glamorous name, Gold Coast, many of the waterfront areas still look like a war zone - abandoned railway yards, rotting piers and derelict warehouses.

Transformation is inevitably long term and against that background, the effects of the stock market crash look short term. Thomas Kean, Governor of New Jersey, maintains his stand that despite lucrative tax abatement packages for corporations in New York City there will be "a tidal wave" of relocating companies.

Significantly, less than two months after the crash Colgate-Palmolive, the consumer products group which has a 167 years history of involvement with the New Jersey waterfront announced plans to convert its 34 acres industrial site near Jersey City.

It intends to build six office buildings, providing up to 6m square feet of space, 1500 apartments, a 400 bedroom hotel and a marina and create parks and a waterfront esplanade.

H. Claude Shostal, vice-president of Cushman Realty, the Los Angeles company acting as Colgate's development consultant, sees a silver lining in the clouds of Black Monday.

It is this sort of argument that is also brought into play by Olympia and York, the Canadian group, working in the different but comparable environment of Canary Wharf in London Docklands: if the economic climate becomes harsher companies look for modern accomodation in new business districts which are cheaper than the traditional core areas.

There is a broadly similar analysis at Harborside Financial Centre in Jersey City. This is a $2bn project where 2000 offices are being developed on 55 acres by Jones Lang Wootton for US WEST pension fund, which bought the site in November 1986 for $127m.

Charles E. Simberg, the chief executive officer, is, as he put it "optimistic about 1988" but acknowledges "there will be a fall off in office space requirements, perhaps as much as 20 per cent."

At Harborside, work has been going on which is familiar in London Docklands. Existing industrial buildings constructed with exceptional load bearing strength have been renovated in a way that makes them suitable for modern computer operations.

As part of the complex, two aged piers will be reconstructed to form a 350 bedroom luxury hotel and 300 residential units with a 225 berth marina between the piers.

Generally, Mr Simberg believes that the prospect of corporate moves to New Jersey is heightened by the crash but, he suggest, "residential sales will get hurt." Certainly the prospects for the residential elements of the mixed developments which are taking place are patchy.

There is evidence of a shift away from Hoboken, for example, by families which had moved in but have become disenchanted with their surroundings. Yet at the $10bn Newport project in New Jersey, where the conversion of the waterfront started, "sales and rentals have been doing extraordinary well," according to Edward Cortese, senior vice-president of Newport City Development.

The comany is a consortium of three developers led by Sam Le Frak of New York. By the end of last year, Mr Cortese noted, two-thirds of the 450 units in a condominium complex - where apartments are built for ownership rather than rental - were under contract.

A similar line was taken by Marianne Bell, vice-president of a US-French-Swiss-German consortium developing the Port Liberté project in the shadow the Statue of Liberty. In addition to commercial space, a hotel and yacht club, Port Liberté will have 1690 housing units on a 3½ miles network of canals.

She saw little impact from the stock market crash, pointing out that 303 of the 363 residential units under construction in the first phase had been sold.

And here lies the rub. Bob de Ruggiero, a Hoboken real estate agent, said the market for upper range condominiums, costing more than $180,000 is glutted. Unless the state passes laws, now under discussion, to limit condominium conversions, the market will get softer, he said.

The speed with which developers have cashed in on the New Jersey real estate boom with the conversion of old apartment blocks into condominiums has put housing prices out of the reach of the local community.

Yet the state itself is fully behind the regeneration of the waterfront. Governor Kean has created an Office of Waterfront Development. The state is redeveloping the entire infrastructure of roads, replacing the sewers, installing a north-south light rail system and creating an 18 miles long waterfront walkway.

This, plus the grant of tax concessions to relocating companies, is its main contribution to waterfront regeneration. So far though the pace of development has outpaced the provision of the infrastructure.

Unlike the British system of fast track planning through urban development corporations, New Jersey is using existing mechanisms. Environmentalists complain that the building permits are given out too easily.

On the other hand the Port Liberté project needed consents from 25 different state agencies to get work underway. And Arthur Imperatore, chief of Arcorp, is having considerable difficulty in gaining planning consent for a grandiose $5bn venture to build 15,000 residential units in a Greco-Roman style on a site north of Jersey City.

All then is not glitter on the Gold Coast, for either developers or local residents. "Gold Coast," said Mr Simberg, "is a sign of what's expected, not what's happening now."

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Company Notices

FIDELITY SPECIAL GROWTH FUND
Societe d'Investissement a Capital Variable
13, Boulevard de la Foire
R.C. Luxembourg B 20095

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of the shareholders of FIDELITY SPECIAL GROWTH FUND, a societe d'investissement a capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the principal and registered office of the Fund, 13 Boulevard de la Foire, Luxembourg, at 11 a.m. on March 31, 1988, specifically, but without limitation, for the following purposes:

[illegible]

BY ORDER OF THE BOARD OF DIRECTORS

SOCIETE GENERALE
JPY 7,500,000,000
REVERSE FLOATING RATE NOTES
DUE 1991

For the period March 8, 1988 to September 7, 1988, the notes will bear an interest rate factor at 4.03498 % P.A.

The interest due on September 8, 1988 against coupon nr 4 will be JPY 403,498 and has been computed on the actual number of days elapsed (184) divided by 360.

The Principal Paying Agent
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

This announcement appears as a matter of record only. Proper notice was given on 8th March 1988.

LONDON AMERICAN ENERGY N.V.

Notice of Special Shareholders' Meeting

Notice is hereby given that a Special Shareholders' Meeting of London American Energy N.V. will be held at Pietermaai 15, Willemstad, Curaçao on Tuesday, 29th March 1988 at 10.00 a.m. Curaçao time for the purpose of considering and, if thought fit, passing the following Resolution:—

RESOLUTION

[illegible]

By Order of the Board

Dated: 3rd March 1988

Registered Office: Pietermaai 15, Willemstad, Curaçao, Netherlands Antilles

Information Meeting

[illegible]

NOTICE TO HOLDERS OF WARRANTS

DAIICHI SEIYAKU CO., LTD.

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Pursuant to Clauses 3 and 4 of the Instrument dated 2nd March, 1988, the following notice shall be given.

At the meeting of the Board of Directors of Daiichi Seiyaku Co., Ltd. (the "Company") held on 29th February, 1988, a resolution was adopted for the issue of new shares by way of free distribution, the particulars of which are given below. Consequently, the subscription price of the captioned Warrants (the "Warrants") shall be adjusted, as specifically provided in paragraph 3 below.

1) The free distribution of new shares will be made to shareholders of record as of 31st March, 1988, Tokyo time, at a ratio of 0.05 shares for each one share held.
2) The free distribution shall be made on 16th May, 1988, but the dividends for these new shares will accrue as from 1st April, 1988, Tokyo time.
3) Pursuant to Condition 3(i) of the Instrument, the Subscription Price will be adjusted from Yen 3,352.00 to Yen 3,192.40 per share of the Common Stock of the Company effective as from 1st April, 1988, inclusive.

March 11, 1988

By: The Mitsubishi Bank, Limited
as Principal Paying Agent
on behalf of Daiichi Seiyaku Co., Ltd.

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
11	12	13	14	15	16	17

Music

PARIS

Francisco Araiza recital, Irwin Gage piano (Mon). Theatre de l'Athenee (47 42 67 27)

I Solisti Veneti conducted by Claudio Scimone: Vivaldi, Hummel, Mozart (Mon). TMP-Chatelet (42 33 44 44)

Ensemble Orchestral Conducted by Armin Jordan, vocal ensemble Piquemal, Ile de France Vittoria choir conducted by Michel Piquemal: Jean-Louis Florentz, Gabriel Faure (Tue). Salle Pleyel (45 63 88 73)

Haydn's Requiem, Bach's Concerto for violin and oboe at Saint-Roch Church (42 61 93 26)

Pierre Reach, Piano: Bach (Tue, Thur). Salle Gaveau (45 63 20 30)

Wanderer Trio: Schubert, Brahms (Wed). Salle Gaveau (45 63 20 30)

Radio France Choir, brass ensemble of the Nouvel Orchestre Philharmonique conducted by M. Tranchant: Mendelssohn, Brahms, Bruckner (Thur). Saint-Germain-des-Pres (42 30 15 16)

Smetana Quartet, Beethoven, Janacek, Smetana (Thur). Paris Opera (47 42 53 71)

ITALY

Milan: Teatro alla Scala: Gidon Kremer and friends playing Lockenhaus (80 91 26)(Mon).

Florence: Teatro Comunale: Colin Davis conducting the Orchester des Bayerischen Rundfunks, Tchaikovsky, Hindemith, Cleveland Quartet, Beethoven (Tue and Thur). (27 79 236)

Rome: Auditorium in via della Conciliazione: Vladimir Spivakov conducting Haydn and Tchaikovsky (Mon and Tue). Orchester des Bayerischen Rundfunks conducted by Colin Davis. Tchaikovsky, Hindemith and Brahms.(Thur). (65 41 044)

Rome: Auditorio del Gonfalone (via del Gonfalone 32/A): The Marco, Louis and Christophe Pantillon trio playing Haydn, Mozart and Mendelssohn. (Thur).(68 75 952).

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Philharmonic conducted by Hartmut Haenchen, with Sabine Meyer, clarinet: Bach, Mozart, Ligeti, Shostakovich (Tue). Edo de Waart conducting the Concertgebouw Orchestra, with Isabelle van Keulen: Ketting, Prokofiev, Strauss (Wed, Thur). Recital Hall: Rachel Ann Morgan, mezzo, accompanied by David Selig: Tchaikovsky, Schubert, Thomas Wolf, Mahler, Berlioz, Britten (Wed). The Tokyo Quartet: Beethoven, Yoshida, Schubert (Thur). (71 83 45).

Utrecht: Vredenburg. Edo de Waart conducting the Radio Philharmonic and vocalists in a concert performance of Wagner's Rheingold (Mon). Recital Hall: Gisela May sings Brecht (Mon). Electronic concert (Tue). Flamenco evening with Gabriel Moreno, vocals and Carlos Pardo guitar (Thur). (31 45 44).

The Hague: Philipszaal. The Hague Philharmonic under Hans Vonk, with Elisabeth Leonskaja, piano: Strauss, Weber, Brahms (Tue, Thur). (60 98 10).

Eindhoven: Globe Theatre. The Radio Wind Ensemble: Mozart, Mussorgsky, Stravinsky, Scarlatti (Tue). (11 11 22).

Groningen: Oosterpoort. Homero Francesch, piano: Ravel (Thur). (13 10 44).

Utrecht: Geertekerk. The Netherlands Chamber Choir conducted by Jan Boeke, with Bernard Winsemius, organ: Sweelinck, Scheidt, Siefert, Scheidemann (Wed). (030 340 921).

NEW YORK

New York Philharmonic. Robert Johnson director. Mendelssohn, Loeffler, Mozart, Brahms (Mon). Merkin Hall (36 28 719).

Maurizio Pollini piano recital. All-Beethoven programme (Mon). Carnegie Hall (24 77 800)

New York Woodwind Quintet. Seiber, Schoenberg, Brahms (Tues). Merkin Hall (36 28 719).

Swedish Radio Symphony. Esa-Pekka Salonen conductor, Cho-Liang Lin violin. Blomdahl, Nielsen, Sibelius (Wed). Carnegie Hall (24 77 800)

Philharmonia Orchestra. Giuseppe Sinopoli conductor. All-Bruckner programme (Thur). Carnegie Hall (24 77 800)/

Hung-Kuen Chen piano recital. Bartok, Beethoven, Scriabin, Chopin (Tue). Kaufmann Hall (59 61 100)

Leonard Raver organ recital. Marchand, Bach, Gardner Read, Liszt, Ives, Persichetti, David Diamond (Tue). Alice Tully Hall (36 21 911).

New York Philharmonic. Klaus Tennstedt conducting, Radu Lupu piano. All- Beethoven programme (Thur). Avery Fisher Hall (87 42 424)

James Tsao violin and piano recital. Bach, Brahms, Ravel, Samuel Gardner (Wed), 12.30, Free) Juilliard Concerts at the IBM Garden Plaza. 56th & Madison.

Philharmonia Virtuosi. Richard Kapp conducting, Michala Petri recorder, Paul Peabody violin. Bach, Zelenka, Heberle, Telemann, Fasch (Tue). Town Hall (84 21 818).

TOKYO

Yomiuri Nippon Symphony Orchestra, conductor Heinz Rogner. Mozart (Mon); Beethoven (Thur). Suntory Hall (270 6191)

Chang-Kook Kim (flute), Keiko Urushihara (violin), Yuki Hyakutake (viola), Nobuko Yamazaki (cello). Tokyo Bunka Kaikan recital hall. (Mon) (437 6837)

Gerhart Hetzel (violin) with the Tokyo Metropolitan Symphony Orchestra, conducted by Akeo Watanabe. Mozart, Brahms, Stravinsky. Tokyo Bunka Kaikan. (Wed). (822 0727)

Music for shakuhachi, koto and shamisen. Tokyo Bunka Kaikan recital hall (Wed). (828 2111)

Mischa Maisky (cello) with NHK Symphony Orchestra. Programme includes Dvorak Cello Concerto. (Wed, Thur). NHK Hall, Shibuya (465 1781)

Opera and Ballet

NEW YORK

Merce Cunningham Dance Company (Joyce). Two major premieres are included in the four programmes during the month-long schedule of twelve works. Ends March 27. (242 0800).

Metropolitan Opera (Lincoln Center Opera House). James Levine conducts Cosi Fan Tutte with Kiri Te Kanawa, Susan Quittmeyer, Hei-Kyung Hong and David Rendall in Graziella Sciutti's staging. James Conlon conducts August Everding's production of Khovanshchina with Elizabeth Knighton, Stefania Toczyska and Timothy Noble. James Levine conducts Otto Schenk's new production of Siegfried with Hildegard Behrens Gwendolyn Bradley, Peter Hofmann and Donald McIntyre. (362 6000).

WASHINGTON

Dance Theatre of Harlem: Programme includes Serenade. Footprints Dressed in Red and Othello. Ends March 20. Kennedy Center Opera House (254 3770).

TOKYO

The Manhattan Ballet in works choreographed by Carla Glenn and Robert North to the music of George Gershwin: Rhapsody in Blue, An American in Paris etc. Tokyo Bunka Kaikan. (265 6361)

PARIS

Der Freischütz: Carl Maria von Weber's romantic opera played by Nouvel Orchestre Philharmonique. It is conducted by Marek Janowski at the TMP-Chatelet (42 33 44 44)

Janacek's Z Mrtveho Domu, depicting Dostoyevsky's obsessive memories from the prisoners' pathetic universe in Siberia. It is conducted by Sir Charles Mackerras/John Burdekin in production by the filmmaker Volker Schloendorff at the Salle Favart - Opera Comique (47 42 53 71)

Boris Godunov is conducted by Lother Zagrosek in Petrika Ionesco's production, with Paata Burchuladze in the title role and Marie-Christine Porta as Xenia at the Palais Garnier-Paris Opéra (47 42 53 71)

WEST GERMANY

Berlin, Deutsche Oper: Tosca has fine interpretations by Pilar Lorengar, Cornelio Murgu and William Dooley. Der Troubadour in Herbert von Karajan's production features Sharon Sweet, Giorgio Lamberti and Harald Stamm. Zar und Zimmermann will be conducted by Hans Hilsdorf with Barbara Vogel, Barbara Scherler and Barry McDaniel.

Hamburg, Staatsoper: Tristan und Isolde, produced by Ruth Berghaus, will have its premiere this week. The cast is led by William Johns, Gabriele Schnaut and Harald Stamm. Don Pasquale brings Hellen Kwon, Giorgio Tadeo and Urban Malmberg together. Don Giovanni stars Samuel Ramey in the title role beside Linda Plech, Karita Mattila, Gilles Cachemaille and Kurt Moll.

Cologne, Opera: Bruna Baglioni repeats her much praised performance in the title role in Aida. Wozzeck has a particularly strong cast with Nadine Sécunde, Walter Raffeiner and Walter Berry.

Frankfurt, Opera: Otello has George Gray in the title role and Clarry Bartha as Desdemona. Cosi fan tutte, conducted by Gary Bertini, has Clarry Bartha, Marianne Rorholm, Milchal Shamir and Tom Krause.

Stuttgart, Württembergisches Staatstheater: Fidelio, in Yuri Ljubimov's production was highly acclaimed when it opened. Jenufa convinces thanks to Michael Schönwandt as conductor. Another highlight this week will be Carmen, choreographed by the late John Cranko.

ITALY

Rome: Teatro dell'opera: Renato Bruson's production of Simon Boccanegra designed by Tita Tetano and conducted by Gustav Kuhn with Ileana Cotrubas, Nicola Ghiuselev, Nivola Martinucci and Gianni de Angelis. Renato Bruson sings the title role.(Tue). (46 17 55).

Naples: Teatro san Carlo: Bellini's Puritani in Pier Luigi Pizzi's production. Conducted by Piero Bellugi. The cast includes Katia Ricciarelli (alternating with Maria Dragoni). Francesca Franci, Mario Luperi, Ambrogio Riva and Rockwell Blake. (41 71 44).

Genoa: Teatro Margherita: Don Pasquale conducted by Romano Gandolfi with Simone Alaimo in the title role, Alberto Rinaldi as Doctor Malatesta, Pietro Ball (Ernesto), and Adriana Anelli (Norina) in Beppe Menegatti's production designed by Luis Spinatelli (58 93 29).

Trieste: Teatro Communale: Il Ritorno di Casanova, a new work by Girolamo Arrigo, based on a novel by Schnitzler (first performed in Geneva in 1987), conducted by Reynald Giovaninetti. The cast includes Fiorella Pediconi and Max Rene Cosotti.(63 19 48).

Palermo: Politeama Garibaldi: New production by Filippo Crivelli of Ildebrando Pizzetti's Fedra with a texthy Gabriele d'Annunzio conducted by Maurizio Arena. The opera was first performed in 1915. Sofia Larson leads a cast which includes Carmen Gonzales, Piero Visconti and Gerbis Boyagian. (58 15 12).

Parma: Teatro Regio: L'Elisir d'Amore conducted by Hubert Soudant with Adelina Scarabellin, Chris Merrit, Angelo Romero and Barbara Briscic (79 56 78).

NETHERLANDS

Amsterdam: Muziektheater. Premiere of the Netherlands Opera production of Katya Kabanova by Janacek directed by Philippe Sireuil and designed by Jean-Claude de Bemels. Kenneth Montgomery conducting the Netherlands Philharmonic, with Ellen Shade in the title role, Felicity Palmer, Jerome Pruett and Stafan Dahlberg (Thur). (25 54 55).

Amsterdam: Schouwburg. The Nederlands Dans Theater with the premiere of Pebbled Path, and Light, part 23, Pilgrimage, Dark Side of the Light (Mon). (24 23 11).

Groningen: Oosterpoort. The Ensemble dance company with Notus Calor, Load Another Round, Four Fine Creatures, and Neurotic Wood (Wed) (13 10 44).

Theatre

LONDON

The Best of Friends (Apollo). John Gielgud makes probably his last appearance on the London stage as Sir Sydney Cockerell, a museum curator and friend of Shaw (Ray McAnally) and a remarkable abbess(Rosemary Harris). (437 2663, CC 434 3598)

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical. Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

Shirley Valentine (Vaudeville). Pauline Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Corfu. Shades of Ibsen's Nora and Beckett's Winnie, with jokes. (836 9987, CC 379 4444)

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. (836 3028, CC 379 6565).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Phantom of the Opera. The Majestic Theatre, stuffed with the Maria Bjornson gilded sets, rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British. (947 0033).

WASHINGTON

Mail (Eisenhower). A Broadway-bound musical delivers the post that accumulates and comes to life for a New York teacher after his escape to the mountains of Vermont. Ends March 30. (254 3670).

CHICAGO

Landscape of the Body (Goodman). John Guare's 1977 surrealistic view of an American family, combining mystery, murder and lyrical passages features Amy Elizabeth Geis, Ray Bradford and Gary Cole in Robert Falls' production. Ends April 2. (443 3800).

TOKYO

A Streetcar named Desire (Imperial Theatre). This could prove to be the theatre event of the year. Japan's most distinguished director, Yukio Ninagawa (whose Macbeth and Medea have triumphed in Edinburgh and London) has transposed Tennessee Williams' play from New Orleans to Tokyo in the aftermath of the Great Earthquake of 1923. One of Japan's finest actresses, Ruriko Asaoka plays Blanche Dubois. (201 7777).

Me and My Gal (Takarazuka Theatre). Thirties musical, recently revived successfully in London and New York and performed here in Japanese by an all-girl cast. Takarazuka therefore represents the other side of the coin to all-male Kabuki. (201 7777)

Yamato Takeru (Shinbashi Enbujo). This staggeringly successful super-kabuki production by kabuki's greatest showman, Ichikawa Ennosuke, has already broken all the records that a new show can possibly break in Japan. The story is based on one of Japan's oldest legends but it is less important than the extrovert and highly theatrical bag of tricks that Ennosuke has concocted to make kabuki more appealing to a generation reared on rock music and action movies. (541 2211).

Kabuki (Kabuki-za). For kabuki of a more traditional kind Kabuki-za is the place to go. It celebrates its 100th anniversary this year and this month features Kana Dehon Coushingura. In two parts, at 11am and 4pm. (541 3131).

Big River. Aoyama Theatre (797 5678) Musical version of Huckleberry Finn. Jim is played by Ron Richardson, from the Broadway production, who has learnt Japanese for his role.

NETHERLANDS

Amsterdam, Bellevue Theatre. The English-Speaking Theatre Company in Emerald City by David Williamson, a fast-moving commentary on life in Sydney's media jungle to celebrate the Australian bicentenary. (Fri, Sat, Tue to Thur). (24 72 48).

MOSCOW

Moscow Art Theatre in Chekhov's Uncle Vanya (in Russian) Nissei Theatre (591 1906). After a period of stagnation, the company founded by Stanislavsky and Nemirovich-Dan-

Continued on Page 17

Cinema/Nigel Andrews

Manhattan ablaze with visual excitement

Someone To Watch Over Me (15) directed by Ridley Scott
No End (18) directed by Krzystof Kieslowski
Orphans (15) directed by Alan J Pakula
The Big Parade (15) directed by Chen Haige

There are two opposing attitudes to worldly wealth: the matter-of-fact and the mystical. "Let me tell you about the very rich," wrote the mystically inclined F. Scott Fitzgerald – "they are different from you and me." To which Hemingway made the famously blunt rejoinder, "Yes, they have more money."

Ridley Scott's *Someone To Watch Over Me* undoubtedly subscribes to the Scott Fitzgerald School of Mysticism. The British director's previous movies – *The Duellists, Alien, Blade Runner, Legend* – have been adventure stories of the past or future souped up with a mind-boggling Mediaeval exoticism. His stories of fated human combat unfurl amid images worthy of Burne Jones out of Caspar David Friedrich, with a touch of comic-strip Gothic thrown in.

His new film may seem his least exotic in subject and setting, a contemporary New York crime thriller, but it blazes with visual invention. The damsel-in-distress is wealthy Manhattan *socialite Mimi Rogers* who lives in an apartment that makes Kane's Xanadu look like a Salvation Army hostel. The knight-in-shining-raincoat is Detective Tom Berenger (late of *Platoon*), a cop from low-rent Queens assigned to protect her as a murder witness. And the villain-at-large is Joey Venza (Andreas Katsulas), a walking gargoyle who knifed a nightclub-owner to death before Miss G's eyes and now wants to shut her up.

The twist in Howard Franklin's script is that the married cop from the wrong side of the tracks falls in love with the Upper East Side glamourpuss. And when she requites his ardour, passion messes up police procedure and *also starts to mess up our hero's* marriage. The plucky wife back in Queens (Lorraine Bracco, winner of this year's Debra Winger look-and-sound-alike contest) is soon bawling her spouse's head off and moving over to Mum's with their eight-year-old son.

Scott, lumbered with variable performances from Berenger and Bracco who have both hired their working-class accents from the Damon Runyon Dialect Factory, is least happy out in Queens. The film starts in fizz only when it moves uptown (starting with the subway journeys, where the coiled and gleaming passenger-straps look like something out of *Alien*). And it moves into Expressionist overdrive in Miss Rogers's apartment.

Here we have a Daedalus maze of marble walls, priceless art-works and perspective-baffling mirrors: whisked into a Sternbergian delirium by Scott's gilded, high-contrast lighting and *sfumato* smoke effects. (It was surely a *director's* in-joke to have the heroine's stereo croon, in one scene, "Smoke Gets In Your Eyes"?)

The miraculous-alchemical view of wealth enshrined or implied in these scenes – as if the very temperature of people's dreams and desires rises with each added thousand dollars spent on the carpeting – is close to idiocy. What redeems it is its closeness also to Scott's beloved *Mediaevalism*. In his hands the millionairess in the Manhattan eyrie becomes the Princess imprisoned in her tower. And even the adultery motif sounds a sonorous echo with the courtly love rites of the Middle Ages.

The script and dialogue never live up to the film's intoxicating visuals or the thematic rhymes they suggest. But that has been the story of Scott's career to date. There is much crassness in *Someone To Watch Over Me*, as there was in *Alien* and *Blade Runner*. (How does any actor keep a straight face while uttering the line, "He's a psychopath, and he's well connected"?) But weaving away amid the inanities is a director with an amazing eye, determined to turn another piece of hokum-on-paper into another dazzling tapestry-on-celluloid.

*

The Polish film *No End*, directed by Kryzstof Kieslowski (of *Camera Buff*), is about the dead who stay on lovingly to haunt us. Anyone who has ever made two cups of tea when there is only one person in the house (as the heroine does here) will recognize

Mimi Rogers and Tom Berenger in "Someone to Watch Over Me"

the classic Bereavement Syndrome: *Absent lovers cause* transports of absent-mindedness. The heroine of *No End* is a young widow (Grazyna Szapolowska), whose dead lawyer husband keeps popping back, it seems, for unfinished business. He leaves signs and clues to help out his latest client, an arrested dissident. And he sits in loving vigil – or seems to – by his wife's bedside.

But if *No End* is a ghost story, the chains it rattles are determinedly political. The film was banned for two years after its making in 1984, and the subplot about the dissident makes a number of loud, rude noises about martial law and loud, approving noises about Solidarity.

It is Kieslowski's achievement that the audience never feels assailed by agitprop. Human ambiguities thrive. The heroine, seeking justice for her husband's client, finds it hard to choose between the two defence lawyers on offer. One is an old deal-maker bruised by Party politics who recommends the safety of compromise and plea-bargaining. The other is a brash young ideologue who demands firm stands and, if necessary, hunger strikes. (There is nothing like getting someone else to starve for your ideals). And when not pushing sceptically through its country's political thickets, the film stands quiet and contemplative, the moving *portrait of a woman building* a new life after the sudden end of the old.

*

Quiet and contemplative are the last words to describe *Orphans*. I never saw Lyle Kessler's original stage play, but if the film is anything to go by I give thanks for small mercies. Albert Finney, Matthew Modine and Kevin Anderson wrap their combined talent around the largest piece of sentimental tosh I have seen in recent memory.

Orphan and petty thief Modine keeps his retarded brother Anderson immured in the crumbling clapboard family mansion by a motorway in Newark. Into New Jersey rolls Albert Finney, sozzled crook en route to the Caribbean. Modine kidnaps him, brings him home and – Lo! before you can say, "Dead, dead, and never called me father" – Mr F is turning from the duo's hostage into their surrogate Dad and then, after sundry Act 3 shootings and shenanigans, into their dead Dad.

It fair breaks your heart. It breaks your heart to wonder what on earth made director Alan J. Pakula, of *Klute* and *All The President's Men*, sign on for this mawkish stuff. And it breaks your heart to see Albert Finney's misplaced faith in the piece (he staged and starred in the London production) and his misdirected talent at work in it. Even so, our Albert is the only thing worth watching. His face resembles a overripe potato with a pursed red gash for lips. His voice, by turns slurred, sing-song and stentorian, is like a male-voice choir conducted by an inventive drunkard. And he dispenses the best American accent any British thespian in my memory has achieved.

Sadly, he is a lone galleon on a sea of drivel. Anthor Kessler, adapting his own play, seems to have enhanced its implausibility. The two orphan brothers come out of some Americanised Dickens-land, where lovable thievery *à la* Artful Dodger joins hands with strident pathos. (Look on Anderson's wild-child scurryings and whimperings and cringe.) And Pakula's token "opening out" of the play merely emphasises its Never-never-land quality. Has this weird household, dwelling in this vast, weird mansion, never had a visit from a *stray tax inspector* or curious social worker?

Somewhere in all this there is doubtless a cracker-barrel message to the effect that "We Are All Orphans." But for most of the movie's length, the only message the sensitive filmgoer wishes to receive is that the last reel is about to be threaded.

*

Better to see Chen Haige's *The Big Parade* at the ICA. This tale of new recruits undergoing military training caused frantic tut-tutting from the Chinese army, who held it hostage until the director made the changes they wanted: chiefly, fewer dissident noises about army life and more climactic big parade footage in Peking.

Haige (whose last film was the acclaimed *Yellow Earth*) reluctantly obliged, and the film ends up a an oddly flavourless mixture: part Chinese *Full Metal Jacket*, part Red Army recruiting ad. Best scenes are those where director and photographer (Zhang Yimou, whose own directing debut *Red Sorghum* won Best *Film prize at Berlin last month*) fit strong sequences to stunning images: a gruelling stand-to-attention vigil shot through a hallucinatory heat haze, a dialogue of doubt between two soldiers set against the eerie, disorienting ripple of an indoor pool.

"Still Life" at the Penguin Café/Covent Garden

Clement Crisp

The new programme at the Royal Opera House on Wednesday brought the premiere of David Bintley's *"Still Life" at the Penguin Café*, the Royal Ballet's first *performance of* Balanchine's *Bugaku*, and a revival of the same choreographer's *Serenade*.

I report, with some concern, that quite the best thing in the evening was this last piece, danced with a welcome unity of style and a fullness of dynamics *that did honour to one of the* seminal works of the Balanchine repertory. It is a ballet very frank in its demands upon its cast: there is no place to hide in it, no chance to fudge its effects. It must be danced with the sort of physical integrity which is not *always seen at Covent Garden*: on this occasion its cast – led by two artists who respond grandly to Balanchine's rigours, Fiona Chadwick and Cynthia Harvey – soared and were held on the crest of the choreography in excellent style.

I have always felt, though, that the Royal Ballet has an ambivalent attitude towards Balanchine, mistrusting his classicism, finding it too uncompromising, and too taxing. Great works by him have been miserably served – remember the disgraceful revival of *Ballet Imperial* – or cursorily given, as was the sublime *Liebeslieder Waltzer*.

The decision to acquire *Bugaku* as a new piece is curious. It is not by any means one of his masterworks. It was staged in 1963 as a result of a visit to New York by the Gagaku troupe of the Japanese Imperial Household,and is in essence little more than a *piece of japonaiserie* conceived at a time when our view of things Japanese was rather more simplistic than it is today.

Its merits lay in the extraordinary gifts of its leading interpreters – Allegra Kent and Edward Villella. Both artists were among the glories of New York City Ballet (and Miss Kent has helped mount this present staging), and both brought to the wedding ritual, in which lies all the interest of the piece, an extreme concentration and potency of manner.

Miss Kent was the most supple and the most mysterious of figures in this duet, maintaining an emotional distance from its passions; Mr Villella proposed a Samurai virility and a physical weight that seemed *as sprung* from the earth as the movement of a Sumo wrestler.

The Royal Ballet cast is led by Bryony Brind and Wayne Eagling. Neither as yet conveys that intensity of body and psyche that is going to transform their ritual *coupling into something that* might be seen in a Japanese erotic print. Their dancing is decent, decorative, and meaningless. The rest of the choreographic action is no more than *dainty trippings and stage orientalisms* which fill out David Hays' handsome set.

David Bintley's new work is quite one of the most puzzling and vexing things the Royal Ballet has shown us in years. Its title is owed in soma part to the Penguin Cafe Orchestra organised by the composer Simon Jeffes. And here lies the first problem about the piece: the score is the dimmest minimalist clangour, with nugatory little tunes churning round and round. Anchored to this music, Mr. Bintley *has sought to be piously* ecological about endangered wildlife, and has found inspiration fettered.

The ballet's action, if I may so describe e sequence of unconnected cabaret scenes, treats of animals whose extinction has been brought about by *man's fatuity. The Great Auk, certain* species of ram, rat, flea, zebra, monkey, and – inevitably - an aboriginal family, are put through their meretricious paces. *The humour is thin, but no thin*ner than the choreography. There are e multitude of sets and costumes of no great interest, designed by Hayden Griffin, and an general air of jokiness as a mask for Deep Feelings About Life on Earth.

I thought tha whole affair extinguishingly tiresome, not just because of the platitudinous nature of the emotions displayed, but also because of the prodigious waste of abilities in seeking to turn a World Wildlife appeal into a ballet.

The performers were largely invisible as artists. The final intellectual and theatrical trick finds the cast scampering through a rain-storm. How difficult it was to guess that curtain-fall would see them all neatly *ensconced in a Noah's ark*.

Alastair Muir

Cynthia Harvey, Jonathan Cope and Sonia Noy in "Still Life at the Penguin Café"

Nite Club Confidential/Playhouse

Martin Hoyle

The *charming Playhouse* near the Embankment at Charing Cross has struck a desultory blow for the Fifties – the decade, that is, rather than the age-group. Paradoxically, those who might regard the Eisenhower era with nostalgia, and at whom this new musical is aimed, are those who would be left most cold by its negligible plot, thin jokes and erratic mish-mash of a score.

Americans Dennis Deal and Albert Evans have thought up the dramatic framework for a few classic numbers by the likes of Johnny Mercer, Arthur Schwarz, Harold Arlen, Sammy Fain, Frank Loesser and Jimmy Van Heusen – great names all – and added some songs of their own. The story is narrated by an *initially slumped figure* in a darkened night club who, it transpires, has much in common with the narrator of the film *Sunset Boulevard* (not to give too much away). Buck started out with an echt-Fifties close harmony group (shades of our own Keynotes; who remembers *Take It From Here*?), caught the eye of faded star Kay Goodman during one of her come-backs, left the others *for her*, split with Kay, moved in with young *singer Dorothy*, and so on. The trouble is that the whole show is couched in such terms of send-up and half-mocking pastiche that we never know what, if anything, is to be taken seriously.

There is minimal dialogue, the plot being propelled by Buck's story-telling direct to the audience. The action provides the slenderest thread on which to string two dozen songs including the imperishable "Something's Gotta Give," "Goody Goody" and "That Old Black Magic" in an electrical arrangement by either Music Supervisor Mr Evans or MD Michael Dixon. Good to be reminded, too, of the lyrical Mercer/Van Heusen "I Thought About You;" and because the show spans the whole decade in musical style we even get a dash of rock and some fascinating jazz-flavoured patter in Jon Hendricks' "Ev'rybody's Boppin" and "Cloudburst," show-stoppingly done as a quartet. The new numbers include a novelty patter number well up to this standard put over by a short-order waitress in a diner and a jazzy ode to the decade's scientific neologisms, "Crazy New Words."

As will be gathered, the musical side is excellently prepared. As the group that dissolves and reforms according to the exigencies of the plot, Peter Bishop (the eventual rock star), Philip Gould (the cool tongue-twister) and Kathryn Evans, a former Evita, are superbly drilled both vocally and choreographically (Mr Deal directs both directs and choreographs). The problem lies in the casual, tongue-in-cheek treatment of the hard-bitten climber – who should be a cross between William Holden in *Sunset Boulevard* and Pal Joey – and the star on the skids (a Garland figure?) whose shock recourse to violence provides an unconvincing downbeat ending.

Stuart Milligan, whose authentic American accent is gratefully received, is too amiable, too soft-grained. But then Ruth Madoc seems determined to deflate the tension wherever possible with good-natured self-parody as the boozy Kay. As we know from *Bless the Bride*, she has a real voice, powerful and dark in timbre. She can put over a torch song marvellously, and projects one of the new numbers, "The Long Goodbye," extremely well.

Alastair Muir

Ruth Madoc

Towards the end she even bears a faint resemblance to Ethel Merman; but, like the show itself, sleekly designed (Lindsay W. Davis), ingeniously lit (Mark Henderson), seems to have no sense of direction and veers between the sent-up clichés of melodrama, nostalgic parody and sitcom cheeriness.

Arvo Pärt/Brompton Oratory

Richard Fairman

It must have taken an inspired leap of the imagination to come up with Brompton Oratory as the venue for this peformance of the St John Passion by Arvo Pärt: the visual extravagance of the place, with its resplendent sculptures and elaborately painted ceiling, are at the opposite pole from the music, where the style is pared to the bone. Such are the different ways of expressing a Christian belief.

The musical language of the Estonian composer Arvo Pärt is devotional, yet as simple as could be. In the past he has, more often than not, been grouped together with the minimalists (Glass, Reich etc.), but the classification now seems to do him less than justice. The musical fingerprints may look the same, but the instinct that lies behind them has a desire to be expressive that is not shared by any die-hard minimalist.

The score of the St John Passion (1981) is typical in this respect. There is a great deal of repetition, even of the most unambitious ideas; and for long stretches the music, in true minimalist fashion, makes no attempt to progress from one key (A minor). What gives the style its emotional content is the shaping of the vocal phrases, and in particular the similarity to Gregorian chant (itself a most basic kind of expression) which Pärt discovered in the early 1970s.

In the first half that alone does not, perhaps, seem quite enough. With the preponderance of slow music and low voices, the simple beauty of his inspiration threatens to lose its effect and start sounding merely monotonous; but as the Passion story nears its conclusion, Pärt allows a greater degree of dissonance to heighten the expression and there is a cumulative sense of awe, beautifully realised by the Hilliard Ensemble under Paul Hillier.

Michael George was the grave, eloquent Christ; David James an impressive leader of the Evangelist Quartet. There is an instrumental quartet as well, but most of the accompaniment falls to the organist (Christopher Bowers-Broadbent). After 70 minutes the music unexpectedly turns to a glorious final D major, which rang out splendidly in the Oratory's acoustics: what a marvellous setting it was, after all.

"The Fatal Shore" wins W.H.Smith award

The £10,000 W.H.Smith Literary Award went yesterday to Australian writer Robert Hughes for The Fatal Shore, his widely acclaimed history of Australia's first convict settlers.

It was all-Australia-day at London's Festival Hall complex where the award was announced. High Commissioner Douglas McLelland was there, the event linked with the bicentennial of Australia and the 30th anniversary of the first Smith award to novelist Patrick White, an Australian, for Voss.

Arts guide

March 11-17

Continued from Page 16

chenko in 1888 is said to be undergoing something of an artistic renaissance under glasnost. (ends March 20)

Exhibitions

PARIS

Grand Palais. Zurbaran. From New York, an exhibition of 72 paintings retraces the artistic development of one of the great masters of the Spanish Golden Age. (42560924). Ends April 11.

Musée d'Orsay. Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his artistic development, the Musée d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings from national and private collections. (45 49 48 14). Closed Mon. Ends May 15.

Centre Georges Pompidou. Le Dernier Picasso 1953-1972. By placing the last 20 years of Picasso's work in the context of contemporary art, the 95 paintings, 24 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgements on the ageing painter's feverish creativity. (42 77 12 33). Closed Tue. Ends May 16.

Petit Palais. Winterhalter and European Courts from 1830-1870. A retrospective of the painter of graceful feminine beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon. Ends May 7.

Grand Palais. Degas. An important retrospective of 275 works covers 60 years of the artist's career from his student beginnings in Italy to the rich maturity of his last years. His favourite themes of ballet dancers - there are the two versions of La Classe de Danse - and of jockeys and race courses, of washerwomen, milliners and bathers show the diversity of his inspiration echoed by the variety of his modes of expression. Grand Palais (42 56 09 24). Ends May 16, Closed Tue.

LONDON

Tate Gallery. Douglas Cooper – The Masters of Cubism. A small but choice selection of 81 works on paper from Cooper's collection of cubist art of all kinds but principally of the work of the great quartet of Picasso, Braque, Gris and Leger. Ends April 4.

Tate Gallery. Young Turner: Early Work Until 1800. The latest in the continuing series of small temporary exhibitions in the Clore Gallery devoted to the many aspects of the vast number of water-colours and drawings in the Turner bequest. This display covers the crucial 12 years or so from the mid-1780s which saw Turner mature with astonishing rapidity from competent conventional topographist to a virtuoso of the medium of water colour of astonishing breadth, freedom and originality. Ends March 20.

Tate Gallery. David Bomberg – A full retrospective of one of the most distinguished British painters of the century, yet one whose commercial success came only after his death in 1957, at the age of 66. As a young man in London before the First World War, Bomberg was associated with the Vorticist movement, of the first importance and originality.

ITALY

Rome. Villa Medici (French Academy). A Certain Robert Doisneau. Photographs spanning the 40-year career of Doisneau, from his touching and evocative Paris street-scenes of the immediate post-war years to a series of portraits of well-known writers and artists. Tender but unsentimental in the images of children and lovers among the rubble of the bombed city, Doisneau is illuminating, humorous and unmalicious in his portraits: Picasso in 1952, sitting with splayed hands on the lunch-table, but with bread-rolls where the fingers should have been; Prevert posed carefully in front of the shop Marvels, so that the O is covered. Ends April 3.

Florence, Palazzo Pitti, Fioralia – 50 paintings of flowers and plants with drawings, tapestries and illustrated botanical books, testifying to the Medici's precocious passion for this science, from Cosimo I onwards. Ends April 10.

SPAIN

Madrid: Circulo de Bellas Artes. The Romantic Tradition in Contemporary British Painting proposes that a parallel development to Modernism has embraced most major British artists since William Blake and that it is as alive today as 150 years ago. This is the first exhibition to undertake such a reexamination and the first group exhibition of contemporary British painting to tour Spain. It features 10 artists and 35 works from private and public collections, some being shown for the first time. Ends April 17.

SWITZERLAND

Geneva. Alberto Giacometti drawings and rare prints. Galerie Jacques Benador, 7 Rue de l'Hotel-de-Ville. (21 61 26). Ends March 26.

NEW YORK

Metropolitan Museum of Art. Every phase of Fragonard's art is included in this, the first comprehensive exhibition of his works that capture France in the last decades of the ancien regime. Ends May 8.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 87 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

CHICAGO

Art Institute: A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 28.

TOKYO

National Museum, Ueno. Preliminary Paintings for Edo Castle. Recently discovered watercolours and working drawings by artists of the Kano School for a remodelling in the 1830s or 1840s of the shogun's castle, where beautiful paintings decorated the sliding paper doors and ceilings. Ends March 21.

Saleroom/Antony Thorncroft

Dredged from the deep

The most interesting sale in London yesterday was tucked away at Christie's South Kensington. It consisted of almost three hundred lots dredged up from the sea, from the Invincible, a seventy four gun warship which went down in the Solent in 1758, as it prepared to sail to wrest Canada from the French. The wreck was discovered in 1979 and while most of the objects recovered have gone to museums some are being sold to finance the continuation of the search.

Just over £60,000 was raised, with a Swiss collector paying the top prices of £3,850 and £3,080 for two sand glasses, one measuring 28 seconds and the other 14 seconds. A square wooden sailors' dinner plate (it was plates of this shape which gave rise to the phrase "three square meals a day") sold for £1,045 while an elmwood bowl made £1,045. A leather shoe, missing much of its uppers, went for £605, and two grenades, which would be thrown from the masts on to the decks of enemy ships, sold for £990. Bringing home forcefully just how hard life was on board ship in the mid 18th century was a Boatswain's Daughter, or cane,to keep the crew in order. It sold for £110.

Meanwhile Sotheby's was establishing an auction record for a watercolour by Bonnington, the early 19th century artist who died at the age of 26. Agnews paid £94,600 for a view of the Pont des Arts and the Ile de la Cite in Paris. A Girtin watercolour of Conway Castle sold to an American collector for £46,200 while a portrait of a lady by Sir Thomas Lawrence trebled its estimate at £44,000. "Hasbro' Sands," in Norfolk, by Turner was at its top forecast, making £26,600. Leggatt, bidding on behalf of the National Army Museum, secured a sketch by Rowlandson entitled "Entertaining the troops" for £7,150.

Sotheby's was also disposing of Japanese works of art. Two dealers were very keen to acquire a netsuke of an ivory study of a cow and calf made in the 18th century by Masanao of Kyoto. In the end Davies of London was successful with a bid of £35,200 as against the top estimate of £7,000. An unusual netsuke was bought by Eskenazi for £5,060. It is less than two inches high, in a rounded form, but is inscribed with three odes on an autumn evening.

The underlying strength of the art market seemed to be confirmed by a fairly routine continental furniture sale at Christie's which produced £557,089, with only 9 per cent unsold. London dealers were active buyers, paying £23,100 (over twice the estimate) for a pair of South Italian walnut and marquetry commodes and £22,000 for a pair of ormolu and bronze three light candelabra by Henry Dasson and the same sum for a 17th century Florentine tapestry of a betrothal scene.

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Austria's new challenge

FIFTY YEARS ago Hitler swallowed Austria. On March 11 he browbeat the Austrian Chancellor, Kurt Schuschnigg, into resigning; on March 12 the Wehrmacht invaded; on March 13 a decree proclaimed the Anschluss. The allies of the First World War, who as recently as 1931 had vetoed a mere customs union between Austria and a still democratic Germany, looked the other way. They did not realise what kind of a monster had arisen in Berlin; nor did a majority in the Austrian crowds which gave Hitler a triumphant reception. The Second World War allies implicitly recognised as much in the Moscow Declaration of 1943 stating that Austria had been the first of Hitler's many victims.

What sort of a country had the dictator seized? The Austria of the 1930s was racked by civil strife and hyper-unemployment. It was barely industrialised and had been shorn of the vast Habsburg possessions in south-eastern and eastern Europe. An authoritarian regime had dismissed parliament and there was no established democratic tradition. Few Austrians believed that this truncated state could survive.

Compare that with the post-1945 republic. Prosperity is almost palpable. The unemployment ratio is low by the standards of today's Europe. Private armies and their battles are unknown. A democratic constitution is in force. The pursuit of consensus in politics and industry, born of the fear of returning to the 1930s, has been widely though not unanimously admired in other countries. Above all, Austrians have come to believe in their state. A vocal minority insists on the Germanness of Austria, but not even that minority calls for a renewed Anschluss.

Rash of scandals

At the 50th anniversary of Hitler's invasion – always provided that the political leadership and responsible opinion in Vienna place the preservation and enhancement of what has been achieved above immediate political advantage – these matters ought to weigh more heavily than the rash of scandals that has overtaken Austria recently. The world has taken most interest in that surrounding the person of President Kurt Waldheim who, at the very least, has been less than candid about his wartime record. It is clear that he ought not to be President.

Some Austrian conservatives, whose People's Party backed Dr Waldheim in the presidential election of 1986, have rallied to his defence with coded or open anti-semitism. Intentionally, or not, they have been playing upon an historic anti-semitic tradition. That is indecent and foolish: the country' problems will not be solved by a return to the irrationality and frenzied partisanship of the past. The past needs to be faced realistically, not by suppression, but neither by once more fighting over old battlefields. It is only fair to add that the person guilty of one of the most flagrant anti-semitic remarks has been driven out of politics.

Increased tensions

The Waldheim affair has unnecessarily increased tensions within a Government struggling to master the future, for instance tax reform – now settled – and Austria's relationship with the European Community. It is not an ideal coalition, but all concerned should ask themselves whether there is a viable and acceptable alternative to the alliance of the People's Party and the Socialists who, at least at present, are led from the centre.

Austrians feel that the outside world has often been unduly censorious. Their faked wine caused an international outcry in 1985 though nobody is known to have been taken ill; when faked Italian wine caused several deaths last year, the world took little notice. The point is small, but does rankle. Scandals and latent anti-semitism are not unknown elsewhere, nor are people who played a less than heroic role during the war. The outside world has the right to criticise soberly; stridency and smugness are usually self-defeating. Today's Austrians, unlike those of 1938, have the opportunity to put their own house in order. They must use it.

The EC's role in merger control

THE EUROPEAN Commission has struck a laudable blow for freer competition in air transport by forcing British Airways to make concessions on its merger with British Caledonian. Brussels' forthright intervention is a refreshing contrast to the eagerness with which the UK Monopolies and Mergers Commission acquiesced in a compromise on terms which were heavily influenced by BA.

The episode underscores the inadequacies of national competition authorities when confronted with cases which have important economic implications for the rest of the European Community. There is clearly a need for rigorously impartial anti-trust enforcement, which puts the interests of the whole EC above the narrow concerns of its individual members. This will be even greater in the single European market planned for 1992.

However, it does not follow automatically that the commission's recently revised demands for additional, specific authority to control mergers and takeovers should be wholeheartedly endorsed. Though there may be much to be said for some of the principles underlying the proposals, there are serious questions about how they would be implemented in practice.

Nationalist obstruction

At present, the commission has the right to intervene in mergers only after they have happened, as was the case with BA/BCal. It is now seeking from EC governments powers to investigate – and, if it chooses, to block – bigger deals with a "Community dimension" before they are consummated.

In trying to sell its proposals, Brussels has suggested they could be used not just to prevent unhealthy concentration of economic and industrial power, but also to override nationalistic obstructionism of the kind which Mr Carlo De Benedetti's bid for Société Générale has encountered in Belgium.

This contention looks, at best, like wishful thinking. The EC proposals would bite only when national competition policies were the main obstacle, not when countries resorted to the subterfuges usually employed to derail unwelcome foreign bids. Moreover, the commission's proposals would apply only to large companies with worldwide turnover of more than Ecu 1bn. They would do nothing to help small firms, which are much less well-equipped to overcome hurdles to trans-European expansion.

More fundamentally, however, attempts to justify the proposals on the grounds that they would promote European industrial restructuring are misplaced. An EC mergers policy should not concern itself with attacking national obstacles to cross-border deals. The Rome Treaty provides many other, more appropriate weapons, which will be further expanded by the mass of EC legislation provided for in the single market plan. If these weapons have been ineffective, it is because the commission has been too lax or too timid in wielding them.

Overriding priority

Still less should the aim be to decide which acquisitions and mergers will create more internationally competitive supplier industries. That judgment should be left to the markets. The overriding priority for merger policy should be to ensure that such deals do not reduce competition, restrict market entry or damage the interests of consumers. To be effective, implementation of such a policy calls for clarity of objectives, integrity of judgment and scrupulous casework.

Unfortunately, as a collegiate body composed of political appointees administering diverse portfolios, the commission has not always been a model of rigour when faced with difficult competition decisions. Too often, its members have flinched from tough action because they feared offending member governments or have felt obliged to stand up for their own countries' interests.

Such internal conflicts are likely to increase if, after 1992, governments seek to promote their economic interests in defiance of EC law and put pressure on their appointees in Brussels to tow the national line. The commission needs stronger institutional safeguards to insulate competition decisions from damaging political influences.

Simply to impose a flawed EC merger policy on a botch-potch of differing national systems would be the worst of all worlds. Any new powers for the commission need to be tightly drawn and clearly aimed at those threats to competition within the Community which national authorities are unable or unwilling to tackle.

Archie Brown examines Mikhail Gorbachev's record and prospects after three years in power

Seeking to shape a new Soviet era

WHEN Mikhail Gorbachev became General Secretary of the Soviet Communist Party three years ago today, many Soviet citizens breathed a sigh of relief and some of the more talented people on the fringes of the policy-making establishment could hardly contain their excitement.

After three aged and infirm leaders, Brezhnev, Andropov and Chernenko, it was something simply to have a General Secretary who could make his own way to the tribune, a point captured by the first Soviet Gorbachev joke: "How much support does Gorbachev have?" Answer: "None. He can walk entirely unaided."

But there was a lot more to it than that. After the political, economic and cultural stagnation of the 1970s – and the cynicism and corruption characteristic of the Brezhnev years – hopes of better alternatives had been briefly aroused by Andropov, only to be dashed during the do-nothing Chernenko interregnum.

Amongst the leadership, however, there was apprehension as well as hope – indicated by the choice of the physically feeble and politically far-from-inspiring Chernenko rather than Gorbachev to succeed Andropov in 1984, and by the attempt to promote the candidacy of another septuagenarian, Viktor Grishin, as successor to Chernenko just over a year later.

Many of Gorbachev's colleagues in the Politburo and Secretariat had cause to be apprehensive. Thirteen months earlier, they had rallied to Chernenko for fear that in younger and more vigorous hands, the new broom which Andropov had begun to wield would sweep them into political oblivion. In that belief, happily, they were correct, though their resistance to Gorbachev may have helped to turn it into a self-fulfilling prophecy.

The extent of the personnel change in the party leadership under Gorbachev has been dramatic. Of the 13 voting members of the Politburo at the present time, only five were already there under Chernenko. Of the seven candidate – or non-voting – members, only two are hold-overs from pre-Gorbachev days. Within the 13-person Secretariat of the Central Committee (which now contains the first women in the Soviet leadership for 25 years) the scale of the change is even more impressive.

Historically, General Secretaries have found it easier, in their first years, to effect changes in the Secretariat than the Politburo. But no one has moved as fast as Gorbachev. Apart from Gorbachev himself, Vladimir Dolgikh is the only survivor from Chernenko's Secretariat. Eleven out of the 13 have come in during the past three years.

Changing the membership of the Politburo and the Secretariat has been made easier by the fact that Brezhnev had allowed them to attain a record high average age. But the changes are none the less remarkable – all the more so because the General Secretary does not have the institutionalised right of appointment to senior political posts which accrues to the office of US president or British prime minister. Instead, he has to rely on influence and authority and an ability to bargain and cajole.

The bargaining process means that not all the new people (especially in the Politburo) should be regarded as Gorbachev's men. But in the Secretariat, in particular, he does appear already to have a majority of people committed to him and to the innovative course he is pursuing in both domestic and foreign policy.

This commitment to a shift of policy is the crucial achievement. It is Gorbachev's view of personnel change as, above all, a means of bringing about a radical rethinking of long-established policy, which marks him off from Brezhnev or Chernenko. Indeed, in terms of its greater comprehensiveness and coherence, it sets Gorbachev apart even from Khrushchev.

Devising new policy is one thing; implementing it is another. Gorbachev has found implementing new policies much easier in some areas than others. He has been able to make fastest progress in changing foreign policy: its content as well as its personnel and style.

There are, of course, many continuities in foreign policy. But amongst Gorbachev's many changes, some are quite remarkable. They include the admission that the Soviet Union has a lot to learn from other Communist countries (and even from capitalist ones); and the pursuit of much more circumspect policies in the Third World, such as the dramatic decision to get out of Afghanistan. There is also the new approach to national security, involving the concepts of "mutual security", a "reasonable sufficiency" in defence and a willingness to embrace hitherto unacceptable levels of verification and on-site inspection as an essential ingredient of arms control.

The benefits which have accrued to the Soviet Union in this area are, it might be argued, more intangible than concrete. But the fact that the Kremlin is now more trusted and less feared in the West must be seen as a triumph for the new approach and for Gorbachev's personal diplomacy. An even more *significant achievement* is the *extent* to which the Soviet Union has been setting the new international agenda. The rest of the world must now respond to more *reasonable* and *more imaginative* Soviet diplomatic initiatives than those to which it had become accustomed.

The extent to which all this has *enhanced Gorbachev's prestige is perhaps* for him – and even for the fate of Soviet reform – its most important domestic political consequence. Summit meetings widen the gap in authority between a Soviet leader and his Politburo colleagues. In general, Gorbachev is much more popular at home when he is defending Soviet national interests than when he is trying to restructure the economy, an activity liable to bring more short-run pain than pleasure to millions of Soviet citizens.

For the early euphoria has worn off. Until Gorbachev's policy choices became clearer, almost everyone (everyone, that is, except several hundred thousand bureaucrats who had an inkling of what was in store), could welcome the arrival at the top of a younger and obviously highly capable leader. Once the hard choices had been made, it was clear that new battle-lines would be drawn. Any serious economic and, indeed, political reform cannot but be a threat to a great many vested interests.

In each successive year of his General Secretaryship Gorbachev has become bolder in his rhetoric on economic and political change. Whereas even the term reform was taboo *throughout most of the Brezhnev years,* now the overarching and ubiquitous concept of *perestroika* embraces such hitherto unfamiliar notions in the *Soviet context as glasnost* and democratisation. It also takes in some – such as enterprise autonomy and complete self-financing – which were talked *about in the 1960s, but never more than* partially implemented.

Economic reform cannot produce significant improvements in the standard of living of Soviet citizens in the short run. (A possible exception is agricultural reform, where some progress has already been made, but not as much as Soviet reformers need.) In the transition to a new economic model incorporating a significant market element, old structures will work even less well than in the more stable past, but new ones have yet to be created. A case in point is the shift to allowing economic enterprises much greater financial autonomy. This took effect from the beginning of 1988, at least two years in advance of a projected price reform. Given the remoteness of many prices from economic reality, financial results will offer a poor guide to a factory's efficiency, though they will have a direct effect on the pay and job security of the work-force. Gorbachev has admitted that mistakes will be made in the reform process, but (turning Brezhnevism on its head) he has made it clear that the greatest mistake of all would be to believe that far-reaching reform could be avoided.

Gorbachev's economic reform was thus bound to be received with scepticism by millions of workers as well as dismay by numerous powerful bureaucratic vested interests. It was partly to offset those sentiments that Gorbachev embarked on political reform – a policy now visible only in outline, but due to become clearer at the all-Union party conference in Moscow in late June.

What happens then depends on the outcome of the political struggle going on in the meantime between the reformist and conservative forces within the party and society. One Soviet writer has gone so far as to describe (in print, what is more, in the journal Novy Mir) the present time as one of "dual power" in which there is a stalemate between reformers and their opponents, with neither able to gain a decisive victory. There is some truth in that. The main significance, however, of Gorbachev's arrival in the top leadership position, is that it gave the reformers the best chance they have ever had *of making an impact on the Soviet system.*

Some of them believe that it is their last, as well as best opportunity, to do something worthwhile – and to justify and atone for the shabby compromises which kept them within hailing distance of the corridors of power. They see it also as the last chance to make their country a more enlightened and a more efficient place in which to live. Such an *outlook certainly* prevails among many of those now exercising influence in an advisory capacity in the Soviet Union. There is evidence to suggest that it is shared by Gorbachev himself.

Recent events in the Caucasus provide ample confirmation of De Tocqueville's dictum that the most dangerous time for an authoritarian regime is when it begins to reform itself. It is also the most difficult time for a reformist leader. The violence between Azeris and Armenians will certainly be used in a whispering campaign against Gorbachev by his party opponents. They will see the demonstrations and subsequent violence as a direct result of raising dangerous expectations through an excess of openness and promises of democratisation.

Nationalist unrest is undoubtedly a setback for Gorbachev, though a predictable one. It will certainly not be the last unintended consequence of his reforms. The latent national tensions are among the most severe problems Gorbachev has inherited. More than most such problems, they do not permit solutions which can satisfy one significant group without offending another.

Even though the initial effect of recent events is to place yet another obstacle in the path of reform, it should not be ruled out that Gorbachev will snatch victory from *the jaws of defeat.* He has done it before. Instead of being damaged by the uninterrupted flight of the West German youth, Mathias Rust, to Red Square, *for example, he used the* opportunity to change the Minister of Defence and strengthen his control over the armed forces.

Now Gorbachev may be bold enough to argue that some of the present problems could be alleviated by a greater devolution of power to the republics, regions and national areas administered by the indigenous ethnic groups. That would not solve the problem between Azeris and Armenians, where the conflict is not primarily with Moscow but between the two neighbouring republics. At all events, Gorbachev has taken steps to ensure that responsibility for dealing with the problem is shared by the leadership collectively. The senior politicians who were sent to the troubled areas from Moscow were evenly divided between Gorbachev appointees and people who have been in the leadership since Brezhnev's time.

If Gorbachev had not already consolidated his power at the top of the party hierarchy so effectively, he would now be in greater trouble. But he is in a strong position in the key institutions. The political skill which took him to the top and enabled him to strengthen his power base at unprecedented speed does not appear to have deserted him. Such considerations provide good reason for believing that he will survive his current problems. On the evidence of his first three years as Soviet leader, he deserves to.

The author is a Fellow of St Antony's College, Oxford.

OBSERVER

The Roman Chancellor

■It has taken the British media a long time to catch up with the fact that Chancellor Nigel Lawson is a pretty engaging fellow who may even be the next Prime Minister. Yet just as the truth has begun to dawn Margaret Thatcher has landed him in a mess by appearing to overrule him on exchange rate policy.

The Chancellor wanted DM3 to the £ or thereabouts. The Prime Minister says that there is no target range.

No doubt Lawson will get out of it when he delivers his Budget next Tuesday. No one has ever accused him of lacking intelligence or ingenuity. But it would be a mistake to assume that he is not the resigning kind. He does have a streak of restlessness from time to time.

There are perhaps two keys to his personality. One is that his favourite play – and Lawson loves acting – is Coriolanus. It is about a brilliant man who refuses to woo the crowd to curry support.

The other is that Lawson realises that Coriolanus was wrong. In politics you need at least one major ally in order to survive. That is how Lawson has worked as a Cabinet Minister. For a time Lord Whitelaw was his protector, the man who said you can never sack the Chancellor and who encouraged him to become more approachable.

Lawson then struck up an effective alliance with Norman Tebbit. Both Whitelaw and Tebbit are now out of the mainstream and perhaps his closest ally outside the Treasury today is Cecil Parkinson, the Energy Secretary, who may some time succeed him.

He has used the same approach in foreign economic policy, knowing that Britain would never get anywhere in the Group of Seven without at least one ally. The alliance with Gerhard Stoltenberg, the West German Finance Minister, faded when it became clear that the latter could not or would not deliver very much. After an initial flirtation, James Baker, the US Treasury Secretary, went his separate way. Today Lawson's closest foreign ally is Edouard Balladur, the French Finance Minister, who may not be around much longer.

So the Chancellor may be feeling a bit lonely and the Prime Minister ought to take note. It is not as if he has nowhere else to go. As Coriolanus said when he left Rome: "There is a world elsewhere."

Armies in drag

■The story in Tuesday's Observer about Swedish army recruits carrying lipstick in their cartridge belt has an ancestry. A reader from Oxford writes that when he joined his unit in September 1939, his attention was drawn to a general routine order of the Romanian Army High Command.

It ran: "With effect from the date of mobilisation of the Romanian Forces, officers below the rank of Colonel are forbidden to wear lipstick on parade."

Frog March

■Bill Foggitt, the 75-year-old weather sage from Thirsk, North Yorkshire, is waiting intently for nature's signposts to confirm his belief that we are in for a long hot summer.

Yesterday he saw two magpies *looking for a nesting site* – a sure sign that spring is just around the corner. Now he is watching out for the first frog spawn, generally a reliable indicator.

It nearly always arrives in his pond around March 26-27. "If it is in the middle of the pond," he says, "it usually means a dry summer because the frogs don't want to risk laying where the perimeter might dry out. But if it is on the edge we can expect a blustery cold spring and a late summer."

Another good guide is where the crows are building their nests. High in the tree tops means calm weather ahead, but new nests low down among the branches signal wild weather to come. "They may not look it, but they are very intelligent birds," he says.

Kiesinger's legacy

■Kurt Georg Kiesinger, the one-time West German Chancellor who died this week at the age of 83, fell into the category of those people one had forgotten were still alive. He deserves more tributes than he has received.

Konrad Adenauer, the first Chancellor, said of Ludwig Erhard: "Have you ever tried to nail a blancmange to a wall?" Adenauer was right. Erhard was a brilliant Economics Minister, but a rotten Chancellor.

Kiesinger was a successful Chancellor in a manner that he did not himself intend. He led the grand coalition of Christian and Social Democrats, which paved the way for a coalition headed by Willy Brandt's SPD. It was the first change of party power at the federal level in postwar Germany, and very necessary it was. Kiesinger was a great stabiliser at a time when Germany could have turned out very different.

Too many Bakers

■The main story in a British newspaper yesterday was headed: Thatcher and Baker clash on school testing.

The main story in its business section was: Sterling hits two-year high: Comments by Baker fuel the pound's rise.

Surely Baker K. is not that powerful yet.

Wallenberg encore

■Peter Wallenberg faced an unenviable, many argued an impossible, task in filling the vacuum left when his father Marcus, Swedish industrialist par excellence, died in 1982.

He appeared ill-equipped for the job, and did not even enjoy the confidence of his father, who in the final months before his death buried the hatchet with the rival Volvo camp and apparently bestowed the mantle of succession on Pehr Gyllenhammar, Volvo's sophisticated and worldly chairman.

Wallenberg senior had ruled chiefly through the sheer weight of his personality, and the so-called Wallenberg sphere was held together with often only small minority shareholdings, leaving it vulnerable to outside attack. Virtually his final act was to allow Volvo into the heart of the Wallenberg empire.

The crown jewels have remained. The Wallenberg sphere includes most of the blue chips of Swedish industry, Saab-Scania, Asea, Electrolux, Atlas-Copco, as well as shared influence in Ericsson and SKF, and the vision has been lifted beyond Sweden's borders.

In his most daring move to *date Peter backed the merger last* year of Asea's electrical engineering assets with Switzerland's Brown-Boveri, Europe's biggest *cross-border merger to date,* accepting a dilution of Swedish ownership for partnership in a bigger prize. Now he has gone for Swedish Match.

Thus the son is outdoing the father by rationalising the empire's diverse holdings in Swedish forest products, a goal that always eluded Marcus Wallenberg. And the dynasty has a new style.

In the stars

■On a notice board at the Cranfield *Institute of Science* and Technology is an advertisement for illustrated talks on astrology, across which has been written "Cancelled due to unforeseen circumstances."

POLITICS TODAY

Why the House of Commons is demoralised

By Joe Rogaly

BRITAIN'S constitution allows its Prime Minister to behave like a President of the United States, with one vital difference. In Britain there is no countervailing force – no powerful Congress and no independent Supreme Court. A strong British leader does not have to "run against Congress" as some US Presidents have been obliged to do. As the Prime Minister, Mrs Margaret Thatcher, is aware, the present British Parliament does not veto or seriously alter major bills. There is no need to run against it. She simply projects her policies straight to the British people.

Thus, on Monday, the Prime Minister and six of her colleagues chose to promote the Government's plans for the inner cities at a press conference. At first there was no thought of making any statement to the House of Commons, but wiser counsels prevailed. Even then Mrs Thatcher, who found time for the media in the morning, did not find time to be in the House when the statement was made in the afternoon.

A few weeks ago there was a similar kerfuffle when the Prime Minister wanted to make her statement on the European Community on a Tuesday, which suits her. There was to be a debate on the Monday evening, which suited the House. After some initial resistance, Mrs Thatcher spoke on the Monday afternoon, in time for that evening's debate.

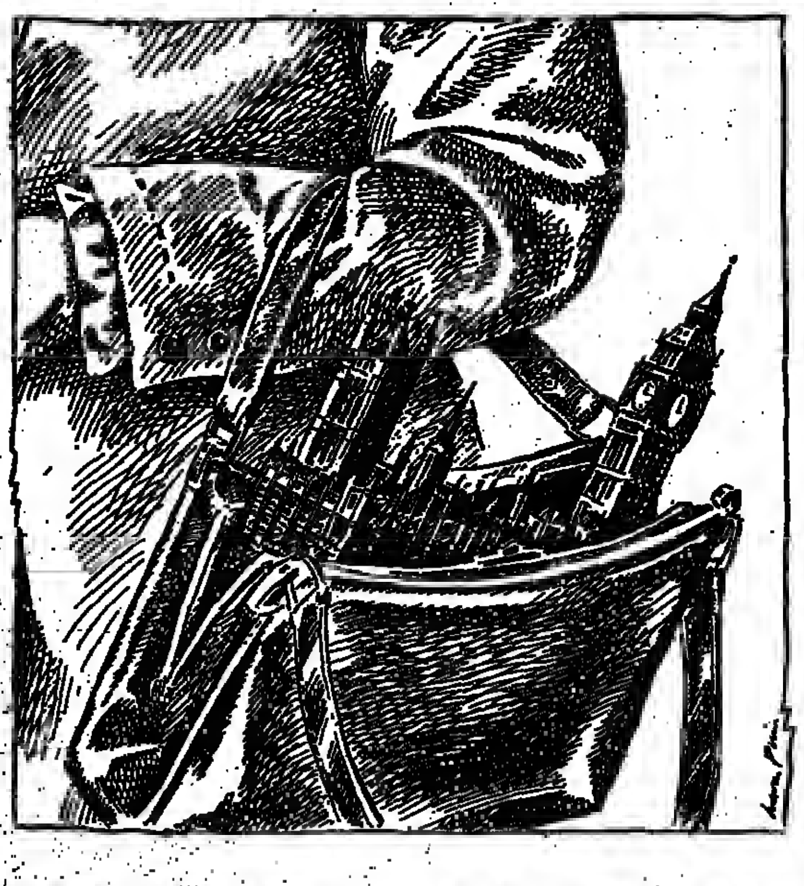
She would rather sell her policies outside the House; why defend them inside a chamber that itself shows so little spirit? There are many indications of this. Government spending on advertising and promotion has quadrupled in the past three years. Contrary to popular belief, this administration does not withhold all information from the media; its ministers and public relations officials alike are ever willing to put forward the message, like born-again evangelists. They are expected to do it well. The Cabinet Office has just put out a new pamphlet entitled *Making it Plain*. It is described as "a plea for plain English in the Civil Service." There is a foreword by the Prime Minister. "When a large organisation such as the Government tries to communicate with the man and woman in the street the scope for misunderstanding is enormous," she writes. "It is no exaggeration to describe plain English as a fundamental tool of good Government."

It all fits in. Long before Mrs Thatcher came to prominence, the Institute of Economic Affairs set out to win public support for its belief that market forces are the most benign influence on public policy. Its strategy was to convert the opinion-makers. Its success played a large part to making it possible for Sir Keith Joseph to promote Mrs Thatcher as leader of the Conservative Party and for her in turn to promote the market-force vision with exceptional vigour. She set out to win not only elections, but also converts.

This path to government fits in comfortably with the Thatcherite view of what constitutes democracy. That view was summarised by the Lord Advocate, Lord Cameron of Lochbroom, in the House of Lords last week. Power was being handed back to individuals. Hear the catechism: privatisation, wider share ownership, deregulation, trade union ballots. The monopoly powers of local authorities in education and housing were being curbed. Parents would manage schools and tenants would choose landlords. "The Government are indeed seeking by their measures the liberation of the people from excessive centralised control whether it be by government, by over-mighty subjects in the form of dictatorial local authorities, or unrepresentative trade union leadership," he said. What was being put in place was "an enterprise philosophy based on the exercise of responsibility by the individual."

Mrs Thatcher would rather sell her policies outside the House; why defend them inside a chamber that shows so little spirit?

Lord Cameron was replying to Lord Jenkins of Hillhead, who had initiated a debate on the power of the executive. The former Mr Roy Jenkins's view was traditional enough: Britain had one of the most centralised governments in the democratic world. Local government was being degraded. Within the Cabinet itself there was a greater concentration of power. Apart from the Prime Minister, only three members of the present Cabinet had been there since 1979. "I have the impression that a greater number of issues and appointments, which I should have regarded as wholly within the prerogative of a senior Secretary of State, are now settled in No 10 Downing Street," he said.



Lord Cameron's picture of the nation as a group of independently responsible individuals was attractively painted. But it has little room within its frame for the exercise of responsibility by the elected representatives of the people, be they in town halls or the House of Commons. The latter are now feeling almost as badly emasculated as the former. The Tories have won three elections in a row. They have an overwhelming majority. The opposition is divided. The Labour Party is searching for new policies. Its leader, Mr Neil Kinnock, scores some hits in Parliament, as he did when he asked about sterling this week but, mostly, he is trounced by the Prime Minister. (It was Mr Kinnock's question that brought out Mrs Thatcher's gut-reaction that she will let the pound rise. That buried the Chancellor's exchange rate policy).

Morale is low. The opposition fears that the odds are in favour of a fourth Tory victory. Conservative dissenters know that they have to endure years of doing little and (usually) voting as they are told. For all such people the 1979-83 Parliament was a period of shock. The 1983-87 Parliament was a time of frustration. The present Parliament is becoming known, inside, as the Exasperation Parliament.

Most people are aware of the near-impossibility of getting the Government to change its mind on all save e few minor amendments thought necessary to get contentious bills through the House of Lords or, very rarely, their own backbenchers. But the real accretion of power has occurred outside Parliament, in the cheerless rooms in which civil servants write out new regulations and new ministerial orders. A special committee studies these "statutory instruments" as they come before Parliament. In theory they can be turned down by either chamber, but in practice they hardly ever are. The committee reports on whether the orders have been properly made. Every now and then it casts doubt on the legality of this or that order. It did so the other day, on one about the closure of a Scottish school. It was ignored. The officials who draft such orders are not concerned about whether or not Parliament will accept them. They know that it will.

You might think that there is little to worry about in statutory instruments. But their number and power has grown throughout this century. Every one of them *is an extra power for ministers* (for which, read civil servants) to use without real fear of parliamentary oversight. A. V. Dicey, *the great constitu*tional lawyer, was concerned about them at the turn of the century. Lord *Hewart, who wrote The New Despo*tism, warned us about them in the 1920s.

*The Committee on Ministerial Pow*ers reported on them in 1932. It told of the device known as a "King Henry VIII clause." The 1932 committee was aghast at such clauses, although it said they could be put in where absolutely necessary. As used today, such a clause allows the minister to rewrite the essence of the bill. You can find it in many statutes. For example the Financial Services Act of 1986 allows the Trade and Industry Minister, presently Lord Young, to define "investment" and "investment business" more or less *at his pleasure*. Could Henry VIII have asked for more?

Such powers have grown under governments *of all parties. The rate of* growth has become faster under Mrs Thatcher. Look at the bound volumes of British laws. Fifty years ago they took up a volume or two a year. There were three volumes in 1979 and five in 1985, with a slowdown to 4½ in 1986. Turn to the volumes containing statutory instruments. There were four in 1979, but seven in 1985.

Lord Cledwyn spoke about some of these new laws in the Lords' debate on executive power. "There have been 46 local government acts of one kind or another during the past nine years," he said. "There have been 2,730 pages of local government legislation . . ." Again, the present Local Government Finance Bill "authorises 344 cases in which ministers alone will take decisions." As to the Education Reform Bill, "there are at least 184 new powers." You may think, so what? But it means that the Secretary of State for Education, Mr Kenneth Baker, can set the national curriculum for schools, by order. He can set attainment targets, by order. As this week's disclosure of a letter from an official in No 10 Downing Street to his counterpart in the Department of Education indicates, the order is as likely to reflect the views of the Prime Minister as those of her Education Secretary.

The Government's response to those who note how much power it is accumulating is that you have to make new laws so that you can deregulate. You need the powers to create the individual enterprise society. It may look like there is a lot more ministerial power, one is told, but the intention is to have much less. Swallow that, if you are so inclined. Meanwhile parliamentarians tell themselves that since 1979 there have been select committees to scrutinise the work of individual departments. It is small consolation. Little notice is taken of select committee reports. The recent recommendation of the social services committee that more be spent on the health service has been summarily rejected, despite the excellent presentation of the case by its chairman, Mr Frank Field.

The House of Commons can assert itself. The most recent instance was the vote to allow its proceedings to be televised. This was opposed by the Prime Minister, who prefers to control her appearances on television. There are already "soundings" about whether the privilege of MPs to say what they please in the House ought to be circumscribed before the cameras arrive. (The *ostensible concern is over potential* breaches of security.) Clearly the day when Mrs Thatcher's governance can *be scrutinised by a televised committee* of the House, in the way committees on Capitol Hill confront the President's *officials, is some way away. Meanwhile,* Downing Street (10, not 11) rules OK.

Lombard

Delusions of independence

By John Plender

IT IS generally acknowledged that membership of a fixed exchange rate system entails some loss of sovereignty. That, we are constantly assured, is the chief explanation for Mrs Thatcher's antipathy to membership of the exchange rate mechanism of the European Monetary System (EMS). Yet it is equally true that in a world of increasingly free capital flows monetary independence is mere illusion. Even the United States has recently been forced to acknowledge this uncomfortable truth.

One of the inherent ironies in the British Prime Minister's remarks about sterling earlier this week is that she appears not to have taken this paradox aboard. The ardent proponent of deregulation and the radical remover of exchange controls speaks as though Britain still enjoys policy autonomy. The maintenance of the illusion might, at a pinch, be understandable if the Prime Minister were anxious to impose recession on the economy through sterling appreciation, which would imply that policy was coincidentally at one with the markets. But why, then, is she worried about the deflationary implications of joining the D-Mark bloc? The reality is surely that we have an *ad hoc* interest rate policy, combined with the delusion that dominance of Cabinet and Commons can be extended to the international markets.

So far Mrs Thatcher has taken most of the flak for this dismal muddle. But the Chancellor should surely take some blame as well – and not simply for promoting an exchange rate target which he knew to be unacceptable to the Prime Minister. The fact is that it is not possible to control both the exchange rate and the level of interest rates at one and the same time; and if Mr Lawson wanted sterling's informal link to the D-Mark to be taken seriously, he must surely have realised that international capital would draw the obvious conclusion.

The story was neatly encapsulated in a piece of research from Mr Giles Keating of Credit Suisse First Boston last month. Sterling: a higher-yielding D-Mark, read the headline, which was shorthand for saying that if you believed in the government's commitment to the target, an inflow of capital would ultimately drive British bond yields nearer West German levels.

Indeed, it could be argued that Britain now has an incipient balance of payments problem precisely because it has held interest rates at levels that ensured a big capital inflow, to which the inevitable counterpart is a current account deficit. It is also possible that the dangers of overheating could be more smoothly managed without damaging exchange rate consequences for industry if the Prime Minister and the Chancellor had shown more readiness to tackle structural problems on the supply side of the economy, such as the welter of controls and tax reliefs that distort the housing market.

That, of course, is known to be politically difficult. And here, perhaps, lies a wider message about the interaction of policy and markets. In the late 20th century we have developed integrated, global capital markets that pass instant judgements on the performance of governments. Yet the political structures of the developed world are still firmly rooted in a concept of the nation state that dates from earlier centuries. The question mark that has always hung over the great experiment in capital market liberalisation in the 1980s has been whether this political structure would be able to cope with the inhibiting consequences of financial interdependence, without retreating into financial and trade protectionism.

The good news this week is that the American arch-exponent of protectionism, Congressman Richard Gephardt, was reckoned to be the main casualty, among Democratic election candidates, of the Super Tuesday election contest. The bad news is that Britain can expect even more sterling volatility following Mrs Thatcher's denial of her Chancellor's exchange rate target. A return to *old-style* exchange controls is acknowledged in the City to be impractical. But might it *not be in character* with the centralising tendency of latter-day Thatcherism to impose controls by the back door: taxes on capital flows?

Letters to the Editor

Let us tighten fiscal policy

From Professor Harold Rose

Sir, Samuel Brittan (March 10) has produced an interesting Hamlet, but without the Prince of Denmark. The dilemma, if it continues, of having to choose between an exchange rate that is too high and interest rates that are too low, can be resolved if we have a tighter fiscal policy, which would enable real interest rates to be reduced without an excessive stimulus to demand.

The policy of relying specifically on a high exchange rate to keep inflation down is justifiable only if inflation is primarily of a cost-push nature. If, on the other hand, it is the pressure of demand that is generating excessive wage increases, any policy which restrains demand will be effective. That further supply-side improvements, which include changes in the structure of taxation, are also required, is not an issue.

We obviously need a medium *term* balance of *anti-inflationary* policy which does not place an excessive burden on the *internationally traded goods sector*, especially now that we are in s period of declining oil revenues.

A *tighter fiscal* policy would also make more appropriate the lower interest rates which would follow our *full* entry into the EMS and which, as Mr Brittan reports, some opponents of entry use as an argument against it. Reducing the subsidy on mortgage interest, which Mr Brittan advocates as the required response, will not be enough if demand pressures are redistributed through corresponding tax cuts.

Harold Rose,
Barclays Bank plc,
54 Lombard Street, EC3

If intended for publication, Letters to the Editor should include, where possible, a day-time telephone number.

Bringing the shops to book

From Mr Kenneth Kemp.

Sir, As a small specialist publisher, I welcome the spread of good quality bookshops such as Hatchards and Waterstone's ("The March of the Multiples", March 9). In many areas of our national life, particularly in food-shops and restaurants, standards are rising with incomes and people are becoming more discerning about where they shop and eat – and buy books.

VAT will do great and possible terminal damage to small publishers and booksellers. Prices will rocket and many people will turn to videos, television, and other forms of entertainment. Public libraries, which used to be the bedrock of hardback publishers, have been hit by restricted council spending and now buy very few new books. It is partly this decline which has led to lower print runs and therefore higher prices. If VAT is introduced, books really will be for the elite only. Is that what the Chancellor wants?

Kenneth Kemp,
The Sportsman's Press,
25 King Charles Walk, SW19

From Mr S.A. Gregory.

Sir, There is a marked difference between selling books and buying books. Problems in buying are particularly obvious if one lives in a small UK town.

Last year I made purchases in Oxford, Cambridge, London and Palo Alto. These were for books held in stock. The most pleasurable experience was in Palo Alto, where Printers Inc runs a book-store and coffee house.

For books not in stock the current practice of booksellers is to ask for full payment and, in the case of W.H. Smith, to allow six weeks for delivery if the book is not held in their warehouse. The books which I read are not usually in their warehouse. Over the last year, one delivery took more than three months and another was cancelled after many months.

Thus, buying books not in stock in the UK presents the customer with two disadvantages in addition to the burden of the publishers' fixed prices. The full-price deposit gives an obvious financial advantage to the book-seller and a considerable amount of time has to be spent checking the movement of the book on order by telephoning or visiting the bookshop.

My annual book bill runs into hundreds of pounds.

S.A. Gregory,
22 Crescent Rd,
Stafford

Polonium discharge not explained

From Mr J.D. Sutherland.

Sir, You report (March 3) that the Environment Department permits Capper Pass to discharge 592 megabecquerels of polonium into our North Humberside air every week.

Many of us wish to know why the pollution inspectorate decided this was a safe level for local residents, and how accurately and frequently the emissions are checked.

J.D. Sutherland,
41 Westella Way,
Kirkella,
Hull

Nuclear weapons will not go away

From Dr Robert McGeehan.

Sir, David Lowry's letter (March 5) condemning British and French nnclear policies reveals an ignorance incompatible with the wisdom one would look for at the European Proliferation Information Centre.

The refusal of France to sign the Treaty on the Non-Proliferation of Nuclear Weaponsbas been clear and consistent. Far from the honesty (*sic*) of being pro-nuclear, the French government has scrupulously kept the pledge made on the day the UN General Assembly commended the agreement, that it would behave exactly as the states adhering to the treaty.

More important is the disingenuous attack on Mrs Margaret Thatcher, the Prime Minister, for her supposedly indecent refusal to embrace either mindless nuclear disarmament or withdrawal from the treaty. Dr Lowry distorts Article VI by his gratu*itous* insertion of "*total*" nuclear disarmament and his omission of the rest of the article wherethe parties commit themselves to pursue "general and complete disarmament under strict and *effective international control.*"

Anyone with a pennyworth of common sense should admit not *only that the impossibility of dis*inventing nnclear weapons means they will never be abol*ished, but also that there is noth*ing whatsoever in the present context of world politics which *suggests the feasibility of strict* and effective international control (of anything).

Perhaps instead of taking cheap shots at silly targets we would all do better to note the *remarkably slow pace* at which nuclear weapons have in fact proliferated, and the great stability which those in existence have brought us.

Robert McGeehan,
St Antony's College,
Oxford

How to give value-for-money accountancy to small companies in the UK

From Mr W G Poeton.

Sir, We are concerned to see from Mr Bourke's letter (March 2) that the Institute of Chartered Accountants in Ireland – unlike the Scottish, and the English and Welsh Institutes – is unaware and therefore not supportive of the case for the abolition of the statutory requirement for the audit of small companies in the UK. *Briefly, it is as follows:*

1. A statutory audit creates a relationship between the owners of the company and their professional accountants, which is compliaoce-based instead of economic.
2. At least 10 per cent, and more likely 30 per cent, of the total accounting charges to small companies relates to the cost of an audit.
3. Audited accounts, often filed up to a year after an audit, do not provide any effective protection to creditors, particularly the smaller firms of creditors.
4. Many small companies trade with unlimited liability as a result of the demand for personal guarantees made by bankers and landlords. Their owners are fully at risk in the event of failure.
5. Radical thinking is required to change attitudes in the UK. There is an enormous waste of money and human resources which can be put to work much more positively.
6. Listed companies' audits need far more resources and monitor*ing of standards. This urgent* need is held back by including small companies within the quality that must be *obtained to* protect the investing public.
7. The audit of similar companies is not obligatory in Australia, North America and the other major member countries of the European Community.
8. The US small company sector has been far more buoyant over the past 40 years than the smaller company sector in the UK. The environment in the United States is freer and less stifling to the smaller business than it is in the UK.
9. Abolition is a logical part of the follow-up to the initiative to reduce and simplify the amount *of information disclosed in share*holders' accounts of these small companies.

We hope that the Irish Institute will be prepared to reconsider its current view of ebolition. Not only would abolition enable UK small companies to enjoy a similar regulatory environment to that enjoyed in our major competitive countries bot it would also encourage a more positive and vaiue-for-money service for small company clients from accountants.

W G Poeton,
The Union of Independent Companies,
PO Box 186,
SW7 2NF

FINANCIAL TIMES
Friday March 11 1988

Le Pen paradox poses dilemma for France's political parties, reports **Ian Davidson**

Politicians keep racism off agenda

EVERYONE knows that Jean-Marie Le Pen, rumbustious leader of the extreme right-wing National Front Party in France, represents the major political novelty – and perhaps the major psephological uncertainty – in France's forthcoming presidential election.

If he secures 10 per cent of the votes in the first round, as the polls suggest, he would certainly have an important impact on the outcome. This might even be decisive, for better or worse, for the final result.

The paradox is that, so far, Mr Le Pen is having very little success in forcing his stock-in-trade of anti-immigrant nationalism on to the mainline agenda of public debate between the big political parties.

Mr Le Pen continues to harp on the xenophobic resentments of a significant minority of the electorate, with inflammatory speeches in which he effectively blames the high level of unemployment on the presence of 4m foreigners. But his rivals in the main left and centre-right parties are doing their best to ignore Mr Le Pen.

Last autumn, Mr Le Pen briefly and unintentionally secured intense public prominence in the headlines, when he made the gross mistake of describing as "a detail" the question of whether the Nazis had killed Jews in gas chambers during the Second World War.

Since then, however, Mr Le Pen has steered clear of any repetition of that kind of gaffe, while his reiteration of proposals to restrict family allowances to women of French nationality, to give job priority to Frenchmen, or to impose systematic testing for AIDS, especially in the case of immigrants, no longer attracts all that much attention.

Mr Jacques Chirac's neo-Gaullist RPR party and his right-wing allies have at times betrayed a real ambivalence over the dilemma posed by Mr Le Pen.

They rode to power in the 1986 general elections on a platform which attempted to pre-empt part of the threat from the ultra-right, by promising a tough law-and-order posture, robust restrictions on illegal immigrants, and a tightening up of the nationality laws. But in the intervening two years, Mr Chirac and his friends have increasingly tended to back away from an overtly anti-immigrant posture.

Le Pen: reaching out for a novel political order

In the first place, the tactic did not appear to be having the desired result of weakening Mr Le Pen's support in the polls. On the contrary, his position has remained remarkably constant, and if anything, it has tended to strengthen.

Secondly, it began to look like a dangerous ploy, since it risked luring the neo-Gaullists into a counter-productive game of negotiation with the National Front on the racial issue.

The tough law-and-order policy remains, as personified by Mr Charles Pasqua, the hard-line Interior Minister. However, a year ago the Government started to back away from its own draft proposals for tightening up the nationality laws and handed over the whole question to be studied by a committee under the chairmanship of Mr Marceau Long, vice-president of the Conseil d'Etat.

Their report, a big and impressive two-volume effort, was published earlier this year to a general chorus of admiration. The only significant critics were the National Front and the anti-racist SOS-Racisme organisation – by the former it was deemed too lax, by the latter too restrictive, so by deduction the committee must have struck a nicely-judged political balance.

Even government ministers have joined in the general murmur of approval, publicly congratulating themselves that its conclusions are not all that different from their original propositions.

Only tactless cynics pointed out that the purpose of the Government's proposed reform was to restrict access to French nationality, whereas Mr Long has made it clear that the purpose of his report would be to make the acquisition of French nationality an easier, if also a more deliberate process.

Mr Chirac had been careful to ensure that the timing of the Long enquiry would be such that its conclusions would arrive too late to allow any governmental action before the presidential election.

Mr Chirac has promised that, if he wins, the nationality issue would be the subject of a referendum; but he has not made clear exactly what the question would be. Since the Long report runs to 1,200 pages and contains 60 proposals, the next president will have plenty of room for manoeuvre.

Even if the Long report is not adopted entirely, it is bound to remain a major reference work for future debate. It underlines, among other things, the familiar fact that France has depended on successive waves of immigrants over the past century or so to provide man-power.

Less familiar is the fact that France is the only European country which has never had any significant waves of overseas emigration, because it consistently suffered from a low birth-rate.

Foreigners have long represented a substantial proportion of the population, ever since the blood-letting of the First World War.

Many people link the current wave of xenophobia with the fact that the most recent wave of immigrants (which, apart from family reunions, was virtually halted more than 10 years ago) is mainly made up of Moslems from North Africa, whereas earlier immigrant waves were mainly European – Italians, Belgians, Poles and Spanish.

There is no doubt that there is a large element of truth in this assumption, especially when combined with the high level of unemployment. However, unfortunately, it is also true that previous waves of immigration encountered serious friction.

In the closing years of the 19th century, the immigrant Italian community in southern France suffered a series of murderous attacks by the local French population, which reached their climax at the so-called progrom at Aigues-Mortes, in which more than six were killed and 26 wounded.

The 500,000 Poles who were actively recruited to work in the mines and farms of northern France after the First World War had a hard time and after the Second World War, 100,000 returned to Poland.

The rise of Mr Le Pen may be in part the product of ephemeral factors – a labour shortage during the years of high growth, followed by a labour surplus in the downturn.

It is also true that these "ephemeral" cycles have been repeated several times in the past, with the result that France is probably the closest equivalent in Europe to the American "melting pot."

European demography is falling, whereas that on the other side of the Mediterranean is rising much faster than the local supply of jobs. From this perspective, the Socialist Party is surely right to argue that the top priority is to find ways of integrating foreign residents into French society. But that is not a message likely to be welcome to the 10 per cent who vote for Mr Le Pen.

Fifth man arrested in Guinness affair

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

LORD SPENS, former head of corporate finance at Henry Ansbacher, the London merchant bank, yesterday became the fifth man to be arrested and charged with criminal offences relating to Guinness, the international drinks group.

Lord Spens, who resigned from his £100,000-a-year post in January last year at the prompting of the Bank of England, was arrested at his home early yesterday morning and taken to a police station in central London.

After being questioned throughout the day by fraud squad officers investigating the Guinness case, he was charged with four offences: one of conspiring to create a false market in shares, one of false accounting and two of unlawful financial support of share dealings.

He was released on police bail and will appear at Bow Street magistrates court in London today. The charges against him allege that:

● On or about May 6 1986, "at a time when a person was acquiring or proposing to acquire 2,150,000 shares in Guinness plc," he aided and abetted the giving of financial assistance by Guinness, namely the payment by way of loan of £7,614,682 to Henry Ansbacher & Company Ltd, for the purpose of enabling Ansbacher to fund the acquisition.

● On the same date, when a person had acquired 2,150,000 Guinness shares, and a liability had been incurred by Ansbacher, he aided and abetted the giving of financial assistance by Guinness – the £7,614,682 loan to Ansbacher – to enable Ansbacher to discharge the liability.

● On the same date, dishonestly and with a view to gain for Ansbacher, he falsified a document made or required for accounting purposes, namely a letter from Ansbacher to Guinness.

● Between April 1 1986, and December 31 1986, he conspired to create a false or misleading impression as to the market in, or the price or value of, Guinness shares.

Lord Spens was responsible for arranging the purchase of 2.15m Guinness shares worth £7.6m for Ansbacher clients as part of what is alleged to have been an unlawful share support operation mounted by Guinness during its £2.5bn bid for Distillers, the major Scotch whisky and gin distilling group.

His actions first came to light in November 1986 when the Ansbacher board decided to await the report of Department of Trade inspectors investigating the Guinness affair before taking any action.

However, two months later the Bank of England urged Ansbacher to seek Lord Spens' resignation because of the damaging publicity being generated by the Guinness affair.

After resigning, Lord Spens said his alleged part in the Guinness affair was perceived as an error of judgment. "I acted properly and I don't think there was anything inappropriate in what I did," he said at the time.

The four others arrested in the Guinness affair are Mr Ernest Saunders, former chairman of Guinness, Mr Gerald Ronson, chairman of the Heron Corporation, Sir Jack Lyons, the millionaire financier, and Mr Roger Seelig, former director of merchant bankers Morgan Grenfell.

They face charges relating to the Guinness takeover battle for Distillers in 1986.

All four are on £500,000 bail and are due to appear again at Bow Street magistrates court on April 12 when a date will be fixed for the prosecution's application for them to be committed for trial at the Old Bailey.

Mr Saunders faces 40 charges, Mr Ronson eight, Sir Jack Lyons nine and Mr Seelig 12. In each case the charges include allegations of theft from Guinness.

A sixth man, London stockbroker Mr Anthony Parnes, is in custody in Los Angeles awaiting an application by the fraud squad for his extradition.

Bell Helicopter to pay US $80m in billing dispute

BELL Helicopter Textron, the US defence contractor, has agreed to pay the US government $80m in one of biggest-ever settlements of questionable billing practices, Reuter reports from Washington.

An Army spokesman said that the Texas-based company, a division of Textron Inc, would admit no civil or criminal wrongdoing in the settlement, which ends a four-year probe by the Pentagon and Justice Department.

Textron would not be barred from doing future business with the government, the spokesman said.

Company officials had no immediate comment.

Bell Helicopter Textron has denied any wrongdoing in the dispute, in which military auditors said complicated computer practices had generated excess profits of more than $100m for the company.

Under the settlement agreement, which is to be signed in Washington today, the company will give a cheque to the Treasury Department for just under $69m.

It will also provide the Army with $11m in helicopter parts without charge.

The company, which builds civilian and military helicopters, agreed to drop over $5m in claims against the Army for interest on previously withheld payments.

It also agreed to pay its own legal fees in the dispute over computer billing for parts between 1982 and 1985, defence officials said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	13	55	Dubrovnik	C	8	46	Malta	S	13	55	Rhodes	F	13	55
Algiers	S	16	61	Edinburgh	F	8	46	Manchester	C	7	45	Rio de Jo	C	31	88
Amsterdam	F	8	46	Faro	F	16	61	Manila	C	33	91	Rome	F	8	46
Athens	F	12	54	Florence	S	12	54	Melbourne	–	–	–	Salzburg	S	1	34
Bahrain	C	25	77	Frankfurt	C	6	43	Mexico City	C	23	73	San Francisco	F	17	63
Bangkok	C	34	93	Funchal	F	17	63	Miami	F	24	75	Seoul	F	11	52
Barcelona	C	12	54	Geneva	F	4	39	Milan	S	10	50	Singapore	R	28	82
Beirut	–	–	–	Gibraltar	S	17	63	Montreal	R	5	41	Stockholm	C	0	32
Belfast	R	8	46	Glasgow	C	9	48	Moscow	C	0	32	Strasbourg	C	5	41
Belgrade	C	3	37	Guernsey	S	8	46	Munich	S	2	36	Sydney	C	26	79
Berlin	R	5	41	Helsinki	C	0	32	Nairobi	F	29	84	Taipei	F	23	73
Biarritz	S	10	50	H Kong	F	18	64	Naples	F	12	54	Tangier	F	18	64
Bombay	S	32	90	Innsbruck	S	1	34	Nassau	F	27	81	Tel Aviv	C	13	55
Bordeaux	S	11	52	Inverness	F	5	41	New Delhi	C	27	81	Tenerife	S	22	72
Brussels	C	8	46	Islamabad	R	15	59	New York	F	18	64	Tokyo	F	13	55
Budapest	F	4	39	Istanbul	C	7	45	Nice	S	13	55	Toronto	R	9	48
B Aires	C	27	81	Jakarta	R	32	90	Nicosia	F	17	63	Tunis	F	14	57
Cairo	F	20	68	Jersey	F	9	48	Oporto	S	16	61	Valencia	F	[illegible]	67
Cape Town	S	25	77	Jo'burg	C	22	72	Oslo	C	-1	30	Venice	S	8	46
Caracas	C	26	79	Lima	F	26	79	Paris	C	9	48	Vienna	F	4	39
Casablanca	S	19	66	Lisbon	F	18	64	Peking	F	10	50	Warsaw	C	1	34
Chicago	C	4	39	London	C	11	52	Prague	S	3	37	Washington	R	8	46
Cologne	C	6	43	Los Angeles	F	21	70	Reykjavik	Sn	-1	30	Zurich	S	2	36
Copenhagen	C	2	36	Luxembourg	S	3	37								
Corfu	S	12	54	Madrid	F	16	61								
Dallas	–	–	–	Majorca	R	10	50								
Dublin	F	11	52	Malaga	F	17	63								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Takeshita stumbles

Continued from Page 1

Tuesday between the Government and opposition parties is typically vague. The opposition says it has agreed only to discuss the introduction of VAT and other ways to finance the tax cuts.

The LDP says the agreement provides an opportunity to introduce both the tax cuts and tax reform proposals later this year. However, Mr Shintaro Abe, secretary general of the LDP, admitted that only thing clear in the agreement was that "it does not indicate whether discussion on the indirect tax will be allowed or not."

This latest sequence of events is eerily similar to those early last year when the Government, then led by Mr Yasuhiro Nakasone, first attempted to introduce a VAT.

Then, too, the opposition succeeded in forcing the LDP to capitulate completely by holding up passage of the budget in the Diet. That episode undermined Mr Nakasone's popularity both in the Diet and in the country, and ruined any prospects he might have had of extending his term.

Mr Takeshita, who took over last Novamber, thought he would fare better than Mr Nakasone, partly by making sure that there was unity on the issue within the LDP, and partly by passing the budget before trying to introduce his tax reform proposals. However, he made what now appears to be the tactical mistake of broadcasting widely his ambitious tax reform plans, and saying that he would devote himself "body and soul" to achieving them.

The opposition became suspicious and started demanding concessions, such as the introduction of a capital gains tax on securities transactions. Then, when figures began to emerge showing that Japan's buoyant economy was producing unexpectedly high tax revenues for the Government, the oppoaition also startad demanding big tax cuts.

The Government then made what looks like another mistake, agreeing in principle on tax cuts before winning opposition agreement on reform. This left the field wide open for the opposition parties to nama their price.

LDP leaders are still claiming gamely that they will be abla to introduce their tax reform proposals, as planned, at an extraordinary session of the Diet in late June, and that the package could be passed during the autumn session.

But it may be, as one LDP leader suggested last month, that it will never be possible to gain opposition agreement on tax reform, and so the Government will just have to bulldoze its plans through. It is hard to believe that Mr Takeshita will have the stomach for such a stark course, but he could yet surprise everyone.

Washington considers sanctions to remove Noriega

By Lionel Barber in Washington

PRESIDENT REAGAN was yesterday weighing a variety of economic sanctions against Panama aimed at ousting the military strongman General Manuel Noriega.

Mr Reagan called a meeting of his top foreign policy advisers as the House of Representatives voted overwhelmingly in favour of strong sanctions to restore civilian rule to Panama.

The Reagan Administration is expected to steer a middle course to encourage the growing civilian opposition to General Noriega, while avoiding tha risk of an anti-American backlash among ordinary Panamanians hurt by the sanctions.

A senior US State Department official, Mr Elliott Abrams, last week said the US would withhold a $6.5m monthly payment to Panama for the operation of the Panama Canal this month. The money is part of about $80m in annual US payments to Panama under the 1978 Panama Canal Treaty.

Other measures under review include curtailing the shipment of Alaskan oil to US Atlantic ports through a pipeline crossing Panama.

● Secretary of State George Shultz said in Washington that Panama's treasury was virtually out of money due to US economic pressure and the Roman Catholic Church said that many poor Panamanians were starving, Reuter adds.

Mr Shultz, testifying to a congressional committee, reiterated US support for President Delvalle and said the administration favoured actions to create cash flow difficulties for the Noriega government.

"What is happening is that the government of Panama is finding its treasury empty," he said. The US dollar is Panama's official currency.

Panama's ambassador to Britain agreed to a full waiver of diplomatic immunity last night to allow British police to question him and staff members about the storming of the Panamanian consulate, the London embassy said.

The British Foreign Office, which on Wednesday rejected what it called a partial waiver offered by Ambassador Guillermo Vega, said it was satisifed with the response. It did not specify what was lacking in Mr Vega's first offer.

"The ambassador of Panama has waived his immunity, complying with all the terms of the request made by the Vice-Marshal of tha Diplomatic Corps," the embassy said just before a 24-hour deadline set by the Foreign Office for a reply expired.

British police want to question Mr Vega and some members of his staff about events on Monday night when embassy employees and members of a British security firm rammed their way into the consulate with a Land Rover.

IBM allows Ferranti use of its PCs

Continued from Page 1

personal computer based on standard operating software called "Unix".

The deal with Ferranti is not exclusive and may well be the first of a series of similar agreements through which IBM will try to secure leadership in the personal computer market with the PS/2 family.

A week ago, IBM said that reports of talks with Siemens, the West German electronics group, which would have led to a personal computer oem agreement were "premature".

While not denying that talks had taken place, Siemens indicated earlier this week that its own personal computer plans had not changed and that it intended to work on Unix-based systems. Ferranti said yesterday it would continue to market its own IBM PC-compatible machines but abandon development of a PS/2 like system.

Swedish forest sector plan

Continued from Page 1

into the consumer products sector and higher valua business areas as a safeguard against fluctuating pulp prices.

MoDo, itself controlled by the Carlgren and Kempe families, gained control of Holmen last year from two of the main shareholders – Ratos, an investment company, and Marieberg, a newspaper and publishing group.

The two deals, totalling SKr2.8bn, gave MoDo and Iggesund (in which it has 49 per cent of the votes) between them about 78 per cent of the votes and 43 per cent of the share capital in Holmen.

THE LEX COLUMN

Every dog has its day

The 10p rise in British Aerospace's share price yesterday looks a striking instance of City short-termism working in favour of a grand design. On a long view, Rover's move from loss last year to operating margins of 0.5 per cent may mean little; after all, Austin Rover made a profit back in 1983 before collapsing again. But for investors who sniff the possibility of BAe cashing in at the taxpayer's expense, what matters is the next year or so; and those institutions who were ill-advised enough to buy BAe at 660p a year ago have no reason to discourage the shares as they struggle up towards 400p now.

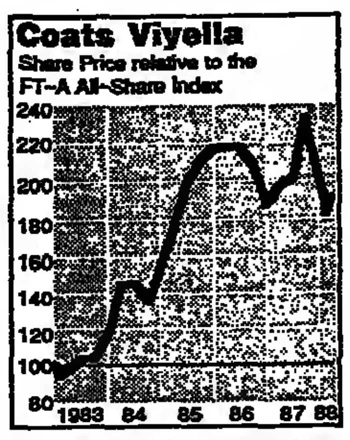
Rover's actual figures need to be treated with caution. Austin Rover, for instance, is said to have made £5.1m operating profit on £2.6bn sales. But the profit is struck before a debit of £15.2m, apparently representing head office expenses and presumably attributable in large part to the volume car side. There is no reason to suppose that the results have been overstated; on the contrary, too large a stated profit could spoil the cosy atmosphere. The point is rather that a pre-tax loss of £21.6m is immensely highly geared on group sales of over £3bn, and that the picture could be transformed by a swing in the number of units sold.

That kind of gearing, of course, can work for shareholders as well as against them. But given that last year's move towards break-even was based on the highest exports since 1979, the market is taking a remarkably relaxed view of the current behaviour of sterling, if nothing else.

Corporate profits

Economists and company analysts have each found fresh evidence in the last week to support their contradictory predictions for UK earnings. While analysts have been so pleased by this results season that they have fattened their forecasts for the current year accordingly, economists have looked at the rise in the pound and drawn the opposite conclusion.

Phillips & Drew, which was already forecasting a sharp decline in earnings growth, now warns that if sterling were to stick at its present level, earnings would actually fall in the fourth quarter this year and the first quarter of next, while growth for the year as a whole could slow to 6 per cent and to 4.5 per cent in 1989. Even though soma economists are forecasting higher rates, their predictions still look low against those of the corporate sector.



The market evidently judges that companies are in the better position to judge; indeed, on P&D's view, equities might seem overvalued. Yesterday's 19 point rise suggests that investors are sufficiently aware of the link between sterling and earnings to regard a slight fall in the pound as a reason to buy, even if they refuse to be alarmed when the currency goes the other way.

Coats Viyella

Even though profits, margins, dividends and gearing each made a respectable shift in the right direction at Coats Viyella last year, the quality of earnings seems to be creeping off the other way. Not only is a larger proportion of the whole coming from South America, but the company seems to have escaped a disappointingly low total by dint of a deft reshuffling of its borrowings into dollars. While it can only be praised for getting the market right this time – thus avoiding announcing an expected currency loss of up to £10m – next time it might not be so lucky.

Perhaps snch quibbles are unfair to a company that is making much of its merger, and is doing well in most of its businesses despite patchily difficult markets. The going may have been tough in hand knitting, and the US retail operations may still be struggling, but in areas such as threads and bousehold textiles, last year's performance was exemplary.

However, there are enough big question marks over the future to explain a 20 per cent discount to the market, despite an above average yield. According to the pessimistic picture of UK corporate earnings, companies like Coats Viyella stand in the firing line, hard hit both by lower growth and by a stronger pound.

Even against a brighter macroeconomic background, future growth is particularly difficult to predict. Now that most of the simple efficiency gains from the merger have been felt, further improvement will depend on the more difficult second step: developing the company into a broad and powerful international textiles group. While progress towards this goal is being made, if the market expects the transformation to be swift it will continue to be disappointed. If and when the sensible strategy translates into results, a resounding rerating can be expected.

Ladbroke

For a company which stuffed its underwriters with 98 per cent of a flopped rights issue at the time of the crash, Ladbroke has since proved a remarkably robust performer. But as yesterday's results confirmed, it is proving to have solid virtues. Of the 58 per cent rise in last year's pre-tax profit, only half was due to acquisitions; and the sharp fall in gearing to 44 per cent seems the result neither of the two rights issues nor of disposals – all of which went to pay for the Hilton acquisition – but of cash flow.

It looks as if this year will be chiefly devoted to getting Hilton into shape. Ladbroke's claim is that after pre-tax profits last year of $65m, Hilton can make well over $100m this year, with a target of $300m by 1992. This would involve adding a lot of extra rooms, but also such economies as moving headquarters from Manhattan to Watford for a saving of $3m a year. Meanwhile, more should be wrung from the original betting business, where margins have been pushed up to 4.7 per cent from 2.8 per cent in 1984.

Assuming around £225m pre-tax this year, the shares are on just under 11 times earnings. This scarcely looks dear on the longer view, particularly as the gamier aspects of Ladbroke's past are replaced by the solid image of the international hotelier. In the meantime, though, there is the matter of that rights issue flop. At 389p, the shares have only just regained the issue price; it might be prudent to wait and see how they cope with the resulting supply.

FINANCIAL TIMES

Friday March 11 1988

Davis makes $780m offer for Lorimar-Telepictures

BY JAMES BUCHAN IN NEW YORK

MR MARVIN DAVIS, the sometime Denver oilman and former owner of Twentieth Century-Fox, made a bid to get back into the film business yesterday with an *offer of $780m for Lorimar-Telepictures*, Hollywood's biggest maker of television programmes.

Mr Davis, who last autumn sold the celebrated Beverley Hills Hotel to the Sultan of Brunei for about $200m, is offering $17 a share in cash subject to conditions, Lorimar said yesterday. The company said it would bear his approach in mind.

Mr Davis is believed to hold at least 2 per cent in the troubled company, which has been plagued by unsuccessful diversification, a string of feature-film failures and a scandal in its home-video operation.

Lorimar stock rose $1¼ to $15⅝ in early trading yesterday, as Wall Street prepared for a spirited contest for the Culver City company.

Warner Communications, the entertainment and communications group, is already in talks about a "business combination" with Lorimar.

Lorimar, which is known for such successful series as Dallas, has a strong business selling programmes to television stations.

But attempts by Mr Merv Adelson, chairman, to diversify and enter the feature-film business have been largely a failure.

The company lost $19.2m on revenues of $256.1m in its most recent quarter, partly because of problems at its home-video company.

●Mr Burt Sugarman, the Hollywood film producer and industrialist who recently launced a $1.75bn bid for Media General, said he may consider other ways to gain control of the Virginia-based media group, including a proxy fight for seats on the company's board.

The bid is priced at $61.50 a share, but is given little chance of success because of the company's voting structure.

Rover makes U-turn with profits of £27.9m

By Kevin Done in London

ROVER Group, the state-owned UK vehicle maker facing a possible takeover bid by British Aerospace, achieved a small operating profit last year for only the second time in the last decade.

Its heavy debt burden meant, however, that it still suffered a pre-tax loss despite a turnround at Austin Rover, its volume cars division.

Rover reported a profit (before interest and tax) of £27.9m ($49.3m) against a loss in 1986 of £355.6m, its best financial performance since 1978.

The group has accumulated losses of £2.68bn and has needed £2.98bn of state aid since 1975.

Pre-tax losses were cut to £21.6m from £455.6m in 1986. Net losses fell to £26.8m from £892m in 1986, when the group suffered extraordinary losses of £430m.

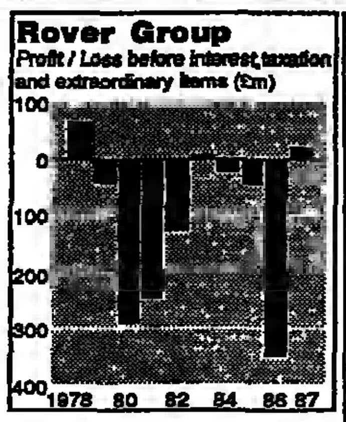
Austin Rover, which increased its volume sales of cars and car derived vans by 12 per cent last year to 471,500 units, managed a tiny operating profit of £5.1m against a £166.6m loss in 1986.

It has made big gains in export markets, but its share of the booming UK new car market slumped last year to below 15 per cent for the first time.

Land Rover increased its operating profit to £22.5m from £1.6m.

Lex, Page 20

Rover Group
Profit / Loss before interest, taxation and extraordinary items (£m)



Colt Industries announces surprise leveraged buyout

BY ANATOLE KALETSKY IN NEW YORK

COLT INDUSTRIES, the highly leveraged industrial conglomerate which amazed Wall Street in 1986 by paying its stockholders a cash dividend of $85 on shares which had been trading days earlier at only $67, is undertaking an audacious new leveraged buyout.

Colt, which makes automotive and aerospace components as well as the famous but much less important Colt revolvers, announced yesterday that it would be taken over for $17 in cash per share, or about $600m in total, by a new company formed by Morgan Stanley Leveraged Equity Fund II, a limited partnership specialising in leveraged buyouts.

The new company, to be called Colt Holdings, will also include senior managers of Colt as substantial shareholders. The leveraged buyout will add $460m in debt to Colt's balance sheet, which already carries about $1.4bn in debt and shows a negative net worth of nearly $1bn.

However, as part of the deal the buyout partners will also inject $200m of new equity into Colt. This would provide the company "with the opportunity to establish and implement a more aggressive business programme, including acquisitions," according to Mr David Margolis, Colt's chairman.

In spite of its high leverage, Colt has bad no difficulty in meeting the interest liabilities it took on in its 1986 recapitalisation and by the end of last year it had prepaid all of the principal it owed op to September 1991.

The company's shareholders have also been rewarded handsomely since 1986. In addition to their $85 cash payment in the recapitalisation, thay also received one new share in Colt.

US retailers stage strong rise

By Our Financial Staff

TWO LEADING US retailing groups, K mart and Dayton Hudson, yesterday reported higher fourth-quarter earnings despite signs of a slowing economy.

K mart, the Michigan-based discount stores group which is the second largest US retailer, said it posted record sales and earnings for the 1987 fourth quarter and full year, although it failed to meet sales targets.

In the fourth quarter ended Janoary 27, K mart earned $321.2m, or $1.58 a share, compared to earnings from continuing operations of $270.6m, or $1.34 a year earlier. Sales rose to $7.75bn from $7.28bn.

Excluded from 1986 fourth quarter results are a gain on the sale of discontinued operations of $30.8m or 15 cents a share and a $16.4m extraordinary charge due to the redemption of debt.

For the full year, K Mart earned $692.2m or $3.40 a share on sales of $25.6bn.

In the 1986 year it earned $570.3m or $2.84 a share from continuing operations on sales of $23.8bn.

The company said that despite a slowing economy and consumer caution, it expected "another good year in earnings" in 1988.

At Dayton Hudson, the department store group, fourth-quarter net earnings from continuing operations rose 11 per cent to $133.7m or $1.54 a share from $120.8m or $1.24 a year earlier.

For the year, however, net from continuing operations fell to $229.4m or $2.41 a share from $255m or $2.62.

First Pacific Holdings up 33%

BY OUR FINANCIAL STAFF

FIRST PACIFIC Holdings (FPH), the Hong Kong-listed financial services group, boosted net profits by almost a third last year to US$16.5m compared with $12.6m last time.

Its First Pacific International (FPI) offshoot, which contains interests in marketing and distribution, trading, property and stockbroking, produced after-tax earnings of $13.7m compared with $7.6m.

FPH, which is controlled by the Liem family and Indonesian associates, last week agreed to sell tha California-based Hibernia Bank for $160m.

The deal with Security Pacific of Los Angeles follows a six-month search for a buyer for the 35-branch bank.

Hibernia had returned to the black in its five years under FPH, which a year ago paid $16m for United Savings Bank of California.

FPH has been seeking to build its operations in Asia-Pacific markets, and last December joined a venture to take over World Securities, a stockbroker in Thailand.

It said this would be one of a network of broking firms throughout South-East Asia.

Assets at tha end of 1987 totalled $2.6bn against $2.3bn. The total dividend is 2.6 cents compared with 2.3 cents.

FPI attributed its profits growth mainly to strong performances by its marketing and distribution arm and by First Pacific Davies Properties.

Manny Hanny sees $230m special gain

BY OUR FINANCIAL STAFF

MANUFACTURERS Hanover, the US bank holding company, expects an after-tax extraordinary gain of $230m by the end of 1988 through the sale of a portion of its undervalued assets.

Earlier this week the bank was reported to be considering selling its consumer finance operation, viewed by analysts as worth up to $500m.

Manufacturers Hanover said the expected $230m gain is part of a strategy to restore common shareholders' equity to 4 per cent of assets by the end of the year.

This would be achieved through a combination of gains from the sales of undervalued assets, the realisation of tax benefits, and stronger operating earnings.

Last year the bank added $1.7bn to its loan loss reserve, reflecting the reduced value of Third World loans.

In a letter to shareholders included in the annual report released on Wednesday, the bank said: "Restoring common shareholders' equity to 4 per cent, the ratio prior to the reserving action, is our overriding priority."

Manufacturers Hanover forecast a profitable performance this year in three key segments of global wholesale, middle market, and consumer operations.

De Benedetti challenges rivals to April showdown

BY TIM DICKSON IN BRUSSELS

MR CARLO De Benedetti, the Italian industrialist, last night effectively challenged the rival Franco Belgian shareholder camp in Société Générale de Belgique to an April showdown.

In a move mostly significant in public relations terms Mr De Benedetti said Cerus, his Paris-based holding company, and other shareholders supporting his aims had informed La Générale that they wished to convene an extraordinary general meeting "as soon as possible".

The decision to call an EGM, which would provide the first opportunity to test the claims and made by the two groups about the size of their holdings in SGB, has been widely expected in Brussels. But most hints that it was imminent had been made by the Franco-Belgian consortium, led by Compagnie Financière de Suez of Paris and the Belgian insurance company Groupe AG, which claims a controlling 51-52 per cent stake.

Mr De Benedetti's apparent pre-emptive strike not only enables him to be seen to be taking the initiative but allows him to set the agenda for an EGM.

In a statement issue in Brussels last night Cerus said this would include discussion of La Générale's recent actions in relation to Belgian commercial law, a motion proposing that the board should not make use of the authorised capital approved by the last EGM in September (the "poison pill" defence), and plans to co-opt Mr De Benedetti, Mr André Leysen and Mr Pierre Scohier on to the board.

Texaco nears $3bn finance deal

BY ANATOLE KALETSKY IN NEW YORK

TEXACO, the large US oil company which is planning to emerge within the next few months from Chapter 11 bankruptcy, said it was close to arranging a $3bn bank credit to help finance its reorganisation.

The loan will be secured by Texaco assets including the company's shares in three large international subsidiaries – Texaco Canada, Deotsche Texaco and Caltex, which is a joint venture between Texaco and Chevron operating in Asia and Australia.

Texaco said in filing with the Federal bankruptcy court in White Plains that the $3bn would be borrowed through a secured revolving credit facility to be provided by between 20 and 30 US and international banks.

Earlier this week it was reported that Texaco might be having difficulty in arranging bank financing because of the threat of a takeover bid from Mr Carl Icahn, the company's largest shareholder.

Mr Icahn owns 14.8 per cent of Texaco, and banks were said to be fearful that he would seek to increase the company's debt-equity ratio above the current level of around 55 per cent.

The proceeds of the loan will be used to finance the total liabilities of about $5.6bn which Texaco expects to face in emerging from bankruptcy.

INTERNATIONAL COMPANIES AND FINANCE

Company Notices

Write-offs push Statoil into the red

BY KAREN FOSSLI IN OSLO

STATOIL, Norway's troubled state oil company, has plunged heavily into loss for 1987 as a result of write-offs relating to its Mongstad refinery project.

Capacity at Mongstad is being increased from 2.5 tonnes to 6.5 tonnes a year and the company has hit a a massive cost over-run on the expansion. It has written off NKr3.3bn of over-run costs against the 1987 accounts.

As a result, Statoil has incurred a net loss of NKr1.98bn ($301m), compared with net profits in 1986 of NKr1.15bn.

Before extraordinary items Statoil profits totalled NKr6.4bn against NKr4.2bn. The company saw operating income rise by 23 per cent to NKr60.8bn.

Statoil said that it has chosen to write-off costs on the Mongstad project against 1987 figures "to reduce the charge on result in the years ahead." The budget over-shoot of the Mongstad terminal and refinery expansion project, which has been called Norway's biggest-ever industrial scandal, has forced a radical reorganisation of the group.

Harald Norvik: forecasts a 'considerable' reduction in 1988 earnings

Three divisions – exploration and production, marketing and refining, and petrochemicals – will be established within a fully-integrated company. Statoil said that it expects to announce appointments to the new divisions within the next few weeks.

The Mongstad affair forced the resignation of Statoil's board. The new chairman, Mr Harald Norvik, said the board expects a "considerable" reduction in its earnings in 1988, before extraordinary items, "owing to trends in oil prices and exchange rates in addition to capital costs of the new refinery at Mongstad."

As for individual divisions, profits before adjustments for exploration and prodnction reached NKr3.9bn, transportation earnings from pipeline systems totalled NKr2bn, while refining and marketing saw a deficit of NKr3.3bn, because of the Mongstad project. Petrochemicals experienced its best year ever with profits of NKr520m.

Group investments reached NKr11.7bn in 1987 compared with NKr8.4bn in the previous year.

Revenue from refining and marketing activities rose to NKr49bn from NKr39.75bn. Crude oil supplies rose 18 per cent to 27m cu m, while the Mongstad refinery processed 3.5m cu m of oil, up from 3m a year earlier.

Distribution companies in Norway, Sweden and Denmark showed improvements, and while changing retail brand names to Statoil from Esso in the latter two countries had positive effects, the economic results were below expectations.

Statoil vowed to "dedicate great attention" to completing the Mongstad project at the lowest possible price and as quickly as possible. Over-runs at the project have been estimated to run NKr9bn above tba original NKr6.8bn price tag.

The company said it will give top priority in the years ahead to marketing Norwegian gas, exploring for new oil reserves and enhancing its oil recovery technology.

GB-Inno builds takeover defence

By Tim Dickson in Brussels

GB-INNO-BM, the Belgian supermarket group whose share price has gyrated wildly in the last few days on rumours of a hostile bid, appears to be shoring up its defences in the event of a takeover battle.

The company has placed a five-year floating rate note of BFr610m with a group of "stable shareholders" and said that attaching warrants could be converted into ordinary shares equivalent to almost 20 per cent of the group's capital at any time a raider appears.

The move is superficially reminiscent of the tactic employed by Société Générale de Belgique when Mr Carlo De Benedetti, the Italian industrialist, first disclosed that he was planning to make a partial offer for Belgium's most powerful financial and industrial group. La Générale's manoeuvre immediately ran into legal difficulties on the grounds that a capital increase should not be permitted once a bid had been announced. But after several court hearings it was finally cleared last month on appeal.

The latest development at GB-Inno has been not only been cleared by the Belgian Banking Commission but is also likely to go down better in the stock market. One leading analyst said last night: "It respects the rights of shareholders and there should be no dilution. In any case, the company has done well and does not deserve to be taken over."

Several international names – notably McDonald's of the US, Argyl of the UK and Carrefour of France – have been mentioned as possible bidders but observers say demand for GB-Inno shares could simply have been fuelled by speculators who have made profits on La Générale shares.

GB-Inno said the floating rate note had been taken up by Groupe Vaxelaire and the Belgian holding companies Cobepa, Groupe Bruxelles Lambert, Gevaert and Sofina.

Sharp rise in Gevaert earnings

By Our Brussels Staff

GEVAERT, THE Belgian holding company whose chairman, Mr André Leysen, has played a prominent role in the battle for Société Générale de Belgique, yesterday announced net profits for 1987 of BFr1.6bn ($45.9m) against BFr1.15bn in the previous 12-month period.

The net consolidated result last year was BFr1.58bn, against BFr1.88bn previously, but a company official said that this reflected the extraordinary impact of capital profits in 1986. The company's current operations were roughly 7 per cent ahead.

Gevaert is more than 25 per cent controlled by Cobepa, another financial holding company, and other companies in the Cobepa group. It does not directly manage any businesses but holds direct share stakes in other banking, shipping, chemicals and publishing concerns (including Bayer, the West German chemicals group).

Mr Leysen has shot to prominence in the last few weeks, at first the apparent saviour of La Générale, but subsequently as the first significant Belgian ally for Mr Carlo De Benedetti in his struggle to win control of the country's most powerful business institution.

In an unexpected turnround last month, Gevaert sold its 2 per cent stake in La Générale to Mr De Benedetti's shareholder "camp." Gevaert, however, now holds a significant minority stake in Europe 1992, Mr De Benedetti's new holding company.

Shipbuilding loss hits Wartsila

BY OLLI VIRTANEN IN HELSINKI

WARTSILA, THE Finnish shipbuilding group, reports a sharp decline in profit and turnover for 1987 bnt plans to maintain its dividend.

Profit before extraordinary items dropped from FM446m to FM128m ($31m) mostly as a result of big losses on shipbuilding. Group turnover last year fell 23 per cent to FM4.7bn.

The dividend is being held at FM7.80 a share. Wartsila plans to seek advance authorisation for the issna of up to 2.4m naw shares, worth FM522m at current stock market prices.

Wartsila said the dramatic deterioration in profitability was almost entirely due to the shipbuilding division which ran np a FM205m loss. Net shipbuilding turnover declined by FM880m to FM2bn.

Another FM800m loss of sales was incurred when Wartsila and Valmet, the Finnish metal and engineering group, merged their respective shipbuilding and papermaking-machinery operations. The Valmet group now includes Wartsila's former paper-machinery division while Wartsila controls the two companies' shipbuilding operations.

The combined sales of Wartsila's other business sectors - including diesel engines, with net sales of FM1.23bn in 1987; sanitary porcelain, netting FM712m; security systems, with sales of FM423m; tableware, with a turnover of FM299m; and factory automation - grew by 16 per cent.

The result, according to Mr Tor Stolpe, the chief executive, was mostly in line with group expectations, although the decline in net sales was sharper than had been budgeted.

Sandvik to increase its dividend

BY SARA WEBB IN STOCKHOLM

SANDVIK, the Swedish cemented carbide and special steels group, is to increase its dividend following a 10 per cent increase in profits (after financial items) to SKr1.89bn ($320.4m) for 1987, helped by stronger demand for its prodncts in the second half of the year.

Group sales rose by 4 per cent to SKr13.24bn, from SKr12.72bn in 1986. The board proposes to raise the dividend from SKr3.5 to SKr4.25 a share.

Sandvik remains cautious about the outlook for 1988. The group said this year has started very well, and profits should be "in line" with the 1987 figures.

Sandvik's cemented carbide operations showed a 6 per cent increase in sales to SKr7.11bn, and an 8 per cent rise in profits (after financial items) to SKr1.32bn.

The group said that it had witnessed a growth in the market for cemented carbide products in South-east Asia and Australia.

"All the dollar-related markets have grown and we have not been so affected by the dollar's fall because we buy most of our raw materials in dollars," said Mr Ebbe Bengtsson, executive vice president.

He added that improved cost controls, increased efficiency and a better mix of products had also contributed to the stronger performance.

Sandvik's steel operations showed flat sales at SKr4.07bn, though profits increased by 18 per cent to SKr291m. Tha group said that despite a bad start to 1987, demand had picked up later on and 1988 has kicked off with a good order intake.

The saws and tools operations reported a 13 per cent increase in sales to SKr1.37bn, belped by the mini-boom in consumables, while profits inched up 1 per cent to SKr104m.

Sterling Airways sold to investors for DKr754m

BY HILARY BARNES IN COPENHAGEN

STERLING AIRWAYS, the Danish independent airline which is the fourth largest in Europe, has been sold for DKr754m ($118.4m) to a group of Swedish and Danish interests.

The company will remain under Danish control, however. A wide range of Danish investors together with airline employees will purchase 51 per cent, with the balance going to the Reso travel group of Sweden.

The airline, formerly part of the Tjaerborg travel group, has been sold by its founder, Mr Eilif Krogager, a clergyman from West Jutland. Mr Krogager formed the Tjaerborg group in the 1950s.

A mandate to raise new capital was given to Sterling's managing director, Mr Einar Lundt, last year. He has now succeeded in selling the shares to a wide range of Danish institutional and private investors. Sterling employees have also subscribed to about 2 per cent of the capital.

The articles of the new company, Sterling Holding, specify that only Danes can hold A shares, comprising 51 per cent of the capital, and they will elect four of the six members of the supervisory board.

Sterling has a fleet of 19 aircraft and flies some 800,000 passengers a year to destinations in southern Europe. It has an annual turnover of some DKr2bn.

East Asiatic registers steady growth

By Our Copenhagen Correspondent

EAST ASIATIC, the Danish trading company with subsidiaries listed in Hong Kong, Thailand and Malaysia, lifted group net profits from DKr316m to DKr339m.

Sales rose from DKr14.17bn ($2.22bn) to DKr14.47bn and earnings after net financial items from DKr361m to DKr444m.

With 95 per cent of sales made outside Denmark, results are also reported in dollar terms. These show sales up 23 per cent to $2.37bn and net profits 30 per cent to $56m.

The directors propose an unchanged 8 per cent dividend.

CCF boosts profits 23%

By George Graham in Paris

CREDIT COMMERCIAL de France raised profits to FFr432.6m ($76.6m) in its first year back in the private sector – a gain of 23 per cent from the previous year.

Gross operating profits rose 10 per cent to FFr1.75bn, while capital gains remained stable at FFr237m.

CCF, France's ninth largest banking group, increased its provisions, setting aside FFr1.28bn to cover debt risks. Country risk provisions tripled to FFr600m.

The group used to be one of the least-well provided of major French banks, as the need to write off client risks had reduced the level of provisions it was able to make for country risks. A one-off operation shortly before its privatisation last April, however, added FFr2.14bn to provisions.

Fletcher and BIL in NZ$661m deal

BY DAI HAYWARD IN WELLINGTON

FLETCHER CHALLENGE has further consolidated its position as New Zealand's largest company with a NZ$661m (US$443.4m) purchase of assets from Sir Ron Brierley's Brierley Investments (BIL).

The deal includes NZ$444m to buy Winstone, a building materials supplier, and NZ$177m to acquire BIL's 15.6 per cent of Petrocorp to add to the 70 per cent Fletcher bought from the New Zealand Government last week after it withdrew from a deal with British Gas.

BIL is selling its Petrocorp stake at the same NZ$1.75 per share price paid by Fletcher for the state's majority.

The third purchase in the package is Consolidated Metal Industries, an engineering group which is changing hands for NZ$40m.

By adding Winstone to its already extensive building production and supply operations, Fletcher will have a highly dominant position in the industry. Normally this could have aroused opposition from the Commerce Commission.

However, the two companies have neatly sidestepped the need for approval. BIL will sell Winstone to the small Golden Bay Cement Company which it owns jointly with Fletcher. Then in 1991 Fletcher will buy out BIL's half share in Golden Bay.

Mr Paul Collins, BIL chief executive, said Winstone was a sound company but BIL had either to strengthen its position in the building supply industry or sell out. It had chosen the latter.

He described Winstone's latest interim profit – "in the single millions of dollars" – as fairly modest. However, Fletcher has paid a good price for the company as BIL has valued Winstone in its accounts at only NZ$320m.

Mr Hugh Fletcher, chief executive of Fletcher Challenge, said that in the present state of the economy, the building supply industry had to be rationalised to survive. There will be some job losses through rationalisation of the two chains of retail outlets which are now in competition.

The sale by BIL of its Petrocorp stake created some surprise. There had been suggestions that Fletcher would come to some arrangement to take advantage of BIL's greater experience in the energy business to help develop Petrocorp.

This week Fletcher, a forestry-based group, announced a record NZ$286.6m net profit for the first six months of its current year.

BIL will be flush with cash after the deal goes through and could itself then become a buyer of suitable companies which would fit into its own wide-ranging interests.

Industrial side boosts Gencor

BY JIM JONES IN JOHANNESBURG

AN INCREASE in industrial earnings more than offset lower mining revenues last year for Gencor, South Africa's second largest mining house.

Attributable profit increased to R653.9m ($305.6m) from R591.7m although the contribution from gold mining dropped to R136.8m from R156.7m as sharply increased working costs and flat rand-denominated gold prices squeezed mine profits.

Nevertheless, gold and base minerals remained the group's two largest profit contributors, followed by paper and pulp through its Sappi offshoot. The largest profit decline was registered by the coal interests, largely held through the Trans-Natal subsidiary, which contributed R2.3m to consolidated net profit against R28.3m.

The coal operations have been affected by weak export prices and increased rail tariffs which pushed some of Trans-Natal's export sales contracts into the red in the fourth quarter.

Impala, the platinum producer, raised its contribution to profits to R39.6m from R33.4m as renegotiation of old rand-denominated sales contracts brought higher revenues.

Sappi nearly doubled its contribution to R110m from R56.9m on the back of higher international paper and pulp prices while Malbak, which has been restructured to hold practically all of the group's industrial interests, provided R32.6m against R34.4m.

Exploration expenditure increased to R72.7m from R48.2m. Mr Derek Keys, the chairman, says this will help ensure new mining ventures are not delayed. Oryx, a new gold mine being established in the Orange Free State, is to raise R200m of equity capital through listings on the Johannesburg and London stock exchanges.

Gencor's next major project is likely to be a R500m synfuels venture to produce oil from torbanite. Mr Keys hopes clearance will be given by the first quarter of next year.

Net earnings rose to 669 cents a share from 616 cents and the dividend has been lifted to 250 cents from 230 cents.

Gencor is controlled by Federale Minbou which, in turn, is a subsidiary of Sanlam, South Africa's second biggest insurance company. The year end is to be changed to August to coincide with that of Sanlam.

South African insurer ahead

GUARDIAN NATIONAL, the South African short-term insurer which is a subsidiary of the UK's Guardian Royal Exchange, returned to an underwriting profit in 1987 due to an increase in premium rates and a reduction in crime-related claims, writes Jim Jones in Johannesburg.

The property account was affected by floods in Natal but most losses there were absorbed by reinsurers.

Gross premiums rose to R292m ($136.5m) from R210m and the underwriting profit was R9.5m against a deficit of R1.8m. Pre-tax profits almost doubled to R28.1m from R14.2m. The dividend is 70 cents against 58 cents.

Seven-fold increase in earnings for Westmex

BY OUR SYDNEY STAFF

WESTMEX, the entrepreneurial investment house chaired by Mr Russell Goward, a former Industrial Equity chief executive, has sailed through the stock market crash with a seven-fold increase in December-half profits.

The fledgling group lifted earnings to A$8.1m (US$5.9m) from A$1.1m as turnover jumped from A$8.9m to A$71.8m. The interim dividend is up from 3.5 cents to 5 cents a share.

The company's two majority controlled investments, Charterhall of the UK and CAL Resources in Australia, recorded strong profit growth in the period. Charterhall produced net earnings of £3.98m (US$7.35m), up from £465,000, and CAL A$6.5m against A$1.5m.

Mr Goward pointed out yesterday that Westmex had been buying shares since the crash and had spent about A$38m, equal to more than half its shareholders' funds.

The results reflected no tax provisions and Mr Goward says the company still has more than A$20m in available tax losses. Interest absorbed A$3.8m (A$2.1m previously) and earnings per share rose from 1.56 cents to 8.72 cents.

Further heavy trading in AFP shares

By Bruce Jacques in Sydney

HEAVY turnover continued yesterday in shares of AFP Investments, in deals which could ultimately determine the ownership of Elders IXL, Mr John Elliott's brewing-based group, and Linter Group, a leading textile producer.

AFP, headed by Mr Basil Sellers, has effective control of Gestetner, the British office equipment group. Other well-known brands in its stable include Speedo swimwear.

A further 5.1m AFP shares, just over 1 per cent of the company's capital, were traded in Sydney and Melbourne, lifting the price by 4 cents to A$1.20 a share. The shares have now gained 50 per cent in the past month and about 15 per cent of AFP's equity has changed hands in the past fortnight.

AFP controls 19 per cent of Elders. Although 55 per cent of its own capital is locked up with directors of Elders, AFP and its associate Linter, the company appears vulnerable having been destabilised by the October share crash.

Speculation continued yesterday that Mr Larry Adler, who heads FAI Insurances, was involved in the buying. Another school believes that Elders may be preparing to bid for the company.

Mr Elliott and several fellow directors stand to increase their influence greatly over the company under the complex provisions of the recently announced A$2.7bn ($1.9bn) share buyback deal by Broken Hill Proprietary, but a change in the control of AFP could threaten the plan.

Elders announced last week that it controlled nearly 12 per cent of AFP, but it has not been a recent buyer of shares.

Mr Adler is keenly aware of Mr Elliott's position and recently held talks with Mr Abraham Goldberg, another large AFP shareholder, on a possible joint bid for the company. Mr Adler subsequently announced that these talks had terminated, but rumours persist that the FAI group has accumulated a stake of about 9 per cent in AFP.

Mr Goldberg's interest in any deal would probaly be to buy back some of the textile interests sold to Linter in 1986.

AFP was one of the worst hit companies in the October crash because it held obligations to buy Elders shares from Goodman Fielder, the Australasian foods group, and SA Brewing of Adelaide at prices which threatened it with a loss of over A$500m.

The deal, which involved "put" options, has been renegotiated, but AFP is still faced with heavy losses.

First-half advance by Arnotts

By Our Sydney Staff

ARNOTTS, Australia's biggest manufacturer of biscuits – and a company perennially touted as a takeover target – has lifted after-tax profits by 13 per cent to A$22.3m (US$16.3m) for the December half on turnover up from A$326m to A$369m.

The company has declared two interim dividends, one of four cents and another of five cents a share, to make sure they qualify for the country's tax-effective imputation system.

The directors said the performance of the biscuit division was adversely affected by a strike by the Storemen and Packers, one of the country's more militant unions, in September last year. "But good profit improvements were recorded by the snack foods joint venture, the 56 per cent owned Morove Bakery group in Papua New Guinea and the Macadamia nut operation acquired in late 1986."

The profit represents a bonus-adjusted increase in earnings per share from 14.1 cents to 16 cents and was struck after tax of A$22.1m (A$18.2m previously) interest of A$2.1m (A$3.8m) and depreciation of A$10.2m (A$7.3m). There were no extraordinary items compared with A$75.9m profits in the 1986 period.

Stephen Fidler examines the pitfalls of settlement systems

The search for a global clearer

IN THE scramble for a stake in the world's rapidly growing securities markets, the bread-and-butter business of clearing and settlement – making sure cash and securities are delivered to the right person after a deal has been struck – was all but overlooked.

Until the world stock market crisis in October, the focus of the management of most financial institutions around the world was on generating trading activity, not on processing it.

It was an oversight that almost had disastrous consequences. In the words of the Brady Commission, the presidential task force which inquired into the October market crash: "The complexity and fragmentation of the separate clearing mechanisms in stocks, futures and options – in conjunction with massive volume, violent price volatility, and staggering demands on bank credit – brought the financial system to the brink on October 20."

Concern about clearing and settlement has been in the minds of market regulators for some years. The dangers of a breakdown were most forcefully brought home one day in November 1985, when it took a $23.6bn loan from the Federal Reserve to right a software problem in the computer of the Bank of New York.

But it has taken the October crash to bring that message home more widely to those in the financial markets. In the words of one delegate to a conference organised by the privately-funded Group of 30 in London this week: "Clearance and settlement problems have moved out of the back office into the boardroom."

In the short run, the post-crash slowdown in trading volumes has had some beneficial spin-offs. For example, it has cured the settlement backlogs which built up in London after Big Bang. For the longer term, however, this is increasingly being viewed as a breathing space during which the securities markets would be wise to come to grips with these problems.

Given that the multitude of clearing systems was at the root of many of the problems in the US in October, the much greater fragmentation of these systems worldwide is thought, as cross-border securities transactions continue to rise, to pose substantial risks to the international financial system.

The pitfalls are many. They start within countries: Spain and Italy are often criticised, for example, for their inefficient stock market settlement systems. The UK's 14-day account period is widely regarded as anachronistic and potentially risky, since the longer the settlement period the more likely the possibility of accident.

Different languages, legal codes and settlement periods all complicate the problems of doing business in the international markets.

The conference, speakers to which included Mr David Ruder, chairman of the Securities and Exchange Commission, Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, and Mr John Reed, Citicorp's chairman, concluded that the ideal solution to all this – a world clearing or depository agency – was pie in the sky for now.

John Reed: the chairman of Citicorp

What was needed, most delegates agreed, were efforts to develop links between the systems in all the international securities and futures markets. "If we develop, as we are now beginning to do, strong links between exchanges, then we can approximate to a global clearer," said a delegate yesterday.

This is easy to say, of course, and difficult and expensive to develop. It involves a large amount of investment and far more standardisation, even in language. It also means that the role of paper in the securities markets will eventually have to be phased out.

Improving links between national or regional clearing and settlement systems heightens the importance of making sure each individual system does not fail. "It's like sending all the securities markets up in the same plane together," a delegate to the conference said yesterday. The development of fail-safe systems will take time.

Despite the potential problems, there was no suggestion at the conference that inefficiencies in the clearing and settlement system should be tolerated to provide informal "circuit-breakers," such as those recommended by the Brady Commission to cushion sharp market movements. If markets are to have circuit-breakers, it is felt, then they should be designed and understood as such.

The successes made in moving toward some coherence in international regulation and supervision for commercial banks have been difficult enough. To achieve a common approach in the securities markets – much more diverse than banking systems – is acknowledged as being even tougher.

There are competitive questions too. Is one system enough or are more needed to provide competition? And who will act at the hub of the system? London would no doubt stake a claim to be the centre of that spider's web, but how would New York, for example, respond to that suggestion?

Futures industry fights off regulation

BY DEBORAH HARGREAVES IN BOCA RATON

MR EDWARD Fleischmann, a member of the US Securities and Exchange Commission, spoke out strongly yesterday against the political battle the SEC is fighting against the Commodity Futures Trading Commission for jurisdiction over stock index futures contracts, calling it a battle that cannot be won.

Speaking at a Futures Industry Association conference, Mr Fleischmann – who stressed that he disagrees on the issue with the majority of his colleagues – said he does not think the SEC would be in a position to regulate the futures markets well. Mr Fleischmann called on the exchanges themselves to come up with ways of improving their markets in the wake of October's stock market crash.

Although most regulators have so far suggested throwing "sand in the gears" to improve the futures markets, Mr Fleischmann said their foremost concern should be how to increase the efficiency of the markets with as little additional regulation as possible.

"We have to figure out how to encourage the contra side," he said, in a bid to enhance the capacity of the futures markets.

Regulatory officials speaking at the conference were critical of some of the reforms that have been instituted since October 19 and they expressed concern that stopping index arbitrage between the futures and the underlying cash markets is more likely to increase volatility than calm it.

"The crisis was indeed exacerbated by the disconnection of the markets on October 19," said Mr Robert Glauber, a member of the presidential commission set up under Mr Nicholas Brady to look into the crash, adding that arbitrage provided a useful function in keeping the markets together.

In the volatile markets that followed the crash, the New York Stock Exchange has restricted access for index arbitrageurs to its automated order entry systems and several securities houses announced they would stop using the strategy.

In a bid to provide more market co-ordination, industry officials said they were working towards some sort of unified clearing system.

"We are trying to eliminate one area of gridlock," stressed Mr Karsten Mahlmann, chairman of the Chicago Board of Trade, by co-ordinating pay and collect information.

Exchange officials urged regulators not to make their markets too expensive and push business overseas. Mr Leo Melamed, special counsel to the Chicago Mercantile Exchange, made an impassioned plea to the US futures industry to retain its efficiency. "If we want to lose the business that we invented, we're sure doing a good job," he cried.

Pirelli raises $2.3bn to back bid

By Alexander Nicoll, Euromarkets Editor

PIRELLI, THE Italian tyre group, is seeking a $2.3bn financing to back its $1.93bn hostile takeover bid for Firestone Tire and Rubber of the US, announced earlier this week.

The company thus becomes the latest in a string of companies, including Eastman Kodak and BAT Industries, to tap the international loan market for large financings to back takeover bids, which have generally been cash offers since the October stock market crash.

Swiss Bank Corporation Investment banking has been mandated to arrange the acquisition facility, which is underwritten equally by its parent, Swiss Bank Corporation, and by Crédit Suisse. The financing is larger than the offer price because it also covers the refinancing of some Firestone obligations.

Bankers said that only $1.3bn of the financing will be syndicated through a two-year facility with an annual commitment fee of 18.75 basis points on undrawn amounts and a margin above London interbank offered rates of 37.5 basis points on drawings.

The remainder of the financing is being handled through separate arrangements between the borrower and the two underwriting banks.

If successful in its bid, Pirelli plans to sell Firestone's Brazilian operations to Michelin of France, which will also have an option to buy a 50 per cent share in Firestone's synthetic rubber and diversified products business for $150m.

Bankers said, however, that Pirelli clearly needed committed financing to back the full amount of its bid, regardless of its subsequent plans.

Telerate in joint venture with Intex

By Our Euromarkets Editor

TELERATE, THE US financial information concern, has teamed up with Intex, the Bermuda-based futures trading system, to market computer software designed to permit 24-hour automated trading.

The joint venture is a challenge to a planned link announced last year by the Chicago Mercantile Exchange and Reuters, the UK information group. Their system will allow CME members to trade the exchange's contracts on automated screens outside the exchange's regular trading hours.

Intex is seeking to market its software and systems to other exchanges after its failure to become a significant force as a pioneering automated futures exchange. Its first contract was in gold futures, launched when precious metals were in the doldrums four years ago. It never became a significant alternative to "open outcry" futures trading in the pits.

Under the agreement with Telerate, Intex will design systems for trading and trade processing and Telerate will supply communications and marketing.

Saudi money changer gains bank status

By Finn Barre in Riyadh

SAUDI ARABIA'S biggest money changer will a week tomorrow become the kingdom's third largest bank, gaining a long-sought status and intensifying competition in the Saudi banking sector.

Al-Rajhi Company for Currency Exchange and Commerce will change its name to Al-Rajhi Banking and Investment Company – which offers the neat acronym Arabic – and plans a share flotation in May after the Ramadan month of fasting.

The group is estimated to hold at least SR4bn ($1.1bn) of customer deposits in non-interest-earning accounts. Its network of branches totals more than 230, which exceeds the 175 or so branches of National Commercial Bank, which has the biggest asset base of all Saudi banks.

Al-Rajhi and other money changers have grown rapidly in recent years, attracting deposits in part because of their purer Islamic reputation. Al-Rajhi will be capitalised at some SR750m, ahead of foreign joint venture institutions such as Saudi American Bank, which recently doubled its capital to SR600m.

The flotation will place 43 per cent of Al-Rajhi shares in the hands of the public, with the four brothers who founded the company holding the remainder.

Building society deals shock sterling sector

BY CLARE PEARSON

THE APPEARANCE of two bonds for UK building societies in the space of a few minutes yesterday sent ripples of shock through the Eurosterling market, which was already struggling under the weight of recent paper.

The two issues meant that sterling bonds totalling £525m had been launched in the space of three days, all with five-year maturities. But their reception was aggravated by the speed with which the Halifax Building Society followed National Provincial into the market.

Immediately after the announcement of the issues, medium-dated Eurosterling bonds shed up to ⅜ percentage points in price. They underperformed comparable gilts which later eased by about ¼ point as the unsettled currency prompted some profit-taking.

Dealers said it was extremely unusual for two Eurosterling bonds for borrowers in the same business sector to emerge almost simultaneously. Lead-managers are required to notify the Bank of England of Eurosterling issues before they are launched, with the aim of maintaining an orderly market.

By the end of the day, National Provincial's £75m bond was quoted at less 2⅝ bid by the lead-manager, Credit Suisse First Boston, but as low as less 2.45 bid elsewhere. Halifax's bond, led by SG Warburg Securities, was bid at less 2⅛. Both bore 1⅞ per cent fees.

Ironically, the pricing of National Provincial's deal, which marked its debut in the fixed-rate sector, had looked fair at the outset. The coupon was 10 per cent and issue price 101⅜ to give a spread of 75 basis points over the comparable gilt.

National Provincial said a complex swap had allowed it to obtain floating-rate sterling at a rate over London interbank offered rate narrower than the terms of the bond suggested.

Halifax's £100m 10 per cent bond was priced at 101⅞ to give an initial 66 basis point spread over the gilt.

INTERNATIONAL BONDS

Elsewhere, Merrill Lynch Capital Markets launched the first straight fixed-rate Eurodollar bond of the week: a $75m two-year 8 per cent bond for Bergen Bank of Norway, priced at 100⅝.

Other borrowers have been put off by a weaker tone in US Treasury bonds and the dollar. However, Merrill said weakness at the longer-end of the yield curve was prompting some defensive switches into the two-year area, which helped Bergen Bank's deal.

Though other Norwegian banks have run into difficulties recently, Moody's has reconfirmed Bergen Bank's Double A-2 credit rating, Merrill pointed out.

Deutsche Bank Capital Markets launched an A$65m bond for the Tasmanian Public Finance Corporation which it said it had substantially pre-placed. The 13 per cent seven-year deal was priced at 101⅝.

Deutsche also launched a C$50m deal for First Austrian Bank which, it said, should be unaffected by the recent heavy supply of Canadian dollar paper since it was aimed at specific demand in southern West Germany, Austria and Switzerland. The 9½ per cent three-year deal was priced at 101¼. Deutsche said it was bidding for paper at less 1¾, compared with 1⅞ per cent fees.

Both domestic and Euro-DM bonds closed about 10 basis points higher, having given up part of their early gains after US Treasuries opened easier in New York. A DM400m 5¾ per cent 10-year bond for the European Investment Bank was bid at 98¾ compared with a par issue price. Fees totalled 1¾ per cent.

Union Bank of Switzerland (Germany) led a DM150m seven-year 6 per cent bond for NZI Overseas Finance, a subsidiary of NZI, the New Zealand insurance company, in its debut D-Mark issue. The bond, priced at 101½, was seen as slightly tightly priced and bid at less 2.

In Switzerland, the primary market were steady while bonds in the secondary market were slightly higher in moderate volume. A SFr100m 5 per cent eight-year bond for American Medical closed its second day's trading at 97, compared with a 101 issue price.

Swiss Bank Corporation announced a SFr100m six-year 4¼ per cent bond for SBSA Finance, a wholly-owned subsidiary of the State Bank of South Australia. It was priced at 100¼.

Australian bank poaches trading teams

NATIONAL AUSTRALIA Bank has poached three trading teams, totalling 13 people, from McCaughan Dyson Capel Cure, the London broking arm of its Australian rival, ANZ Bank, writes Our Euromarkets Editor.

It said the move was part of a big expansion of its activities in international financial markets, also involving appointments in New York. It plans to trade Australian and New Zealand government securities, Eurosecurities in all currencies, as well as building a futures and options broking business.

The defections reflected these goals. They included Mr Rob Habets, who has been managing the government securities and Eurobond teams, and Mr Piers Harden, who has headed the futures team.

Mr Russell Middleton, managing director of McCaughan Dyson Capel Cure, said the departures did not dent the company's commitment to the markets concerned, and it would build a larger team to replace them.

The company would be left with 130 London staff specialising in Australian and UK institutional equity, fixed income and futures broking.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 10

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	96¼	96⅝	0	-0⅛	8.62
All Nippon Air 9⅛ 97	100	98⅝	99⅛	+0⅛	-1¼	9.55
American Brands 8⅞ 92	150	99⅝	99⅞	-0⅛	-0⅛	9.03
A/S Eksportfinans 7⅞ 93	100	95½	96	+0⅛	-0⅛	8.58
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102¾	102⅞	+0⅛	-0⅛	4.80
Belgium 4⅝ 94	45	97⅛	97½	0	-0⅛	5.15
E.I.B 4⅝ 94	40	97⅜	97¾	+0⅛	-0⅛	5.06
Elec. De France 5⅛ 94	20	100½	101	0	-0⅛	4.98
[illegible]						

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

OTHER STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available–previous day's price

† Only one market maker supplied a price

[illegible]

UK COMPANY NEWS

MAJOR BUSINESSES REPORT RECORD RESULTS TO COMPLEMENT SUCCESS OF RETAIL BETTING OPERATIONS

Hilton acquisition helps Ladbroke to £160m

BY CLAY HARRIS

Ladbroke Group, the hotels, betting, retail and property undertaking, yesterday reported a 58.1 per cent increase in pre-tax profits to £160.2m in 1987.

The pre-tax advance from £101.3m was achieved on turnover 21 per cent higher at £2.14bn (£1.77bn). Earnings per share rose by 26.5 per cent to 29.35p (23.21p adjusted for two rights issues in 1987).

Mr Cyril Stein, chairman, said the acquisition of Hilton International, the hotel operator bought last year for $1.07bn (£645m at then prevailing rates), was turning out much better than expected.

It had contributed operating profits of £13.8m in the first 11 weeks it was part of the group, a record performance for Hilton. Excluding the effect of any expansion, Ladbroke now expected Hilton to be contributing $300m annually within five years. This compared with Hilton's $65.5m profits in 1986, and Ladbroke's original estimate of a $200m annual contribution within three years.

Although the Hilton acquisition had made hotels Ladbroke's biggest division, Mr Stein emphasised that the group's major businesses had all reported record results.

LADBROKE GROUP profit by activity (£m)

	1986	1987
Hotels	21.8	47.2
Property	21.4	22.3
Racing	49.5	62.0
Retail	13.8	26.0
Media	0.6	0.9
Discontinued businesses	12.9	10.9
Interest/asset leasing	(18.7)	(9.1)
Pre-tax profit	*101.3*	*160.2*

Hilton aside, Ladbroke's other hotels increased profits through higher occupancy and tariff levels. Mr Stein said further substantial profit growth was planned through annual increases in operating margins. Advance UK and overseas bookings indicated another excellent year in 1988, he said.

Racing, as Ladbroke styles its retail betting operations, remained the single largest profits contributor in 1986. It added to its market leadership in the UK and Ireland, with 1,706 shops, and also increased its share in Belgium and the Netherlands.

Live racing telecasts through Satellite Information Services, in which Ladbroke has a minority stake, would be available in all of Ladbroke's shops by the end of 1988. The innovation was expanding the market, and significant gains in turnover were expected this year.

Texas Homecare, the DIY chain, achieved record sales and improved margins in its first full year as part of the group, against 37 weeks in 1986. Texas added 1m sq ft of selling space and expected to raise the total to 8m sq ft this year through the opening of 35 additional superstores.

Property operations had concentrated on adding value to existing developments in the UK, elsewhere in Europe and the US. "Opportunities for significant growth have been taken without paying premium prices for development sites where returns on capital would have been below acceptable levels," Mr Stein said.

A final dividend of 7.84p (7p) makes a total of 13.89p (12.5p). For shareholders who took up their entitlements in both rights issues, the total payout represents a 19.8 per cent increase.

The effective tax charge declined from 36.3 per cent to 35 per cent.

An extraordinary credit of £36.7m (£22m) reflected after-tax gains on the disposals of holidays and retail catering operations, the Rodeway Inns motel operation in the US, Ladbroke's share in United Trade Press and its 20 per cent stake in Central Independent Television.

Ladbroke shares were unchanged at 386p.

See Lex

Cyril Stein: Hilton acquisition was much better than expected

Joint venture fees help boost MTM 22%

BY ANDREW HILL

MTM, the speciality chemicals manufacturer which last year announced a joint venture with French company CdF Chimie, increased profits by 22 per cent to £5.1m before tax for the year to December 31, against £4.2m in 1986.

Fees for management activities and services involved in the December merger of MTM subsidiary Marchem with CdFC's Loison were included above the line and MTM also benefited from the release of certain deferred tax provisions which reduced the tax charge from 19 per cent to 16 per cent.

As a result earnings per share were ahead of expectations at 11.7p (10.6p). The board is recommending a final dividend of 2p, making 3p (2.7p) for the year.

During 1987 the company made sales of £39.8m (£34m), 70 per cent in the fine chemicals division, 20 per cent from the provision of specialist services to the industry and the balance from effect chemicals.

A short-lived move into the contracting side of effect chemicals *during the first half of the* year meant the division failed to contribute profits to the full-year results. Trading profits were about evenly split between services and fine chemicals.

The group hopes to announce the acquisition of a US fine chemicals manufacturer in the near future and is seeking suitable opportunities for acquisition and joint ventures in the UK and overseas.

Last year MTM invested about £9m in improving the company's infrastructure, particularly at its Sandbach and Kirby sites, to increase capacity, efficiency and long-term potential.

● comment

The short-term benefits of MTM's joint venture with CdFC have caused a few raised eyebrows – about £2m was added to turnover by the fee payable to MTM for services rendered, and this was included as part of the service division's sales. More important, however, will be the long-term contribution: MTM can now supply a wider European customer base from the continent itself which can only be good news, but still has to decide what to do with its 86 per cent stake in ASAP, a small sales, technology and manufacturing facility bought from CdFC. Recent reorganisation makes it difficult to assess the group, which is competing against the chemicals giants, but it has no wish to become a conglomerate and should consolidate this year with pre-tax profits of about £6.5m. A slightly higher tax charge puts the shares, which closed down 3p at 123p, on a prospective multiple of about 9, which is fairly cheap.

Hospital to fight Community bid

West Yorkshire Independent Hospital is in talks with a white *knight after Community Hospitals*, a major shareholder, launched a contested bid.

The company, which is quoted on the USM, has written to shareholders advising them to take no action on Community's £6.6m cash offer.

Mr Roy Baguley, finance director, said Community's bid was unwelcome. "It undervalues the company," he said.

West Yorkshire said it was surprised that Community, which already owns 46.9 per cent of its shares, had made its offer without a prior formal approach.

Community said it found it difficult to believe anyone could be more sympathetic to West Yorkshire than it. The two companies had been discussing their future relationship for some months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

[illegible]

FUTURE DATES

Interims–

Close Brothers	Mar 16
Germany Securities Inv	Mar 17
Halstead (James)	Mar 21
[illegible]	Mar 24
Scottish Metropolitan	Apr 26
[illegible]	Mar 18
Walker (Thomas)	Apr 11
[illegible]	Mar 22
Barker and Dobson	Mar 17
[illegible]	Mar 30
[illegible]	Mar 22
[illegible]	Mar 29
[illegible]	Mar 16
[illegible]	Mar 30
[illegible]	Mar 15
[illegible]	Mar 17
[illegible]	Apr 5
[illegible]	Mar 23
[illegible]	Mar 18

Phicom up to £1.8m and seeks further purchases

By Dominique Jackson

Phicom, life sciences group, more than quadrupled pre-tax profits to £1.8m (£403,000) on turnover of £18.87m (£28.04m) in the year to end-December 1987.

The directors recommended a final dividend of 0.5p, making a total of 0.8p for the year (0.5p).

The directors said they proposed changing the name of the company to Life Sciences International and that they would put a resolution concerning the change of name to shareholders at the annual meeting in May.

Mr Christopher Bland, chairman, said 1987 had been a momentous year for the group with a major change in shareholding following the purchase and placing of Magnum Corporation's controlling stake.

Forma Scientific Inc was acquired from Mallinckrodt in November and the issued share capital was increased by 88 per cent. *Market capitalisation* is now around £60m, against £21m at the time of the placing in June.

The results included a six week contribution from Forma, which totalled around £0.5m, Mr Bland added.

Mr Bland said the proposed name change reflected the *group's current strategic* policy to develop as a life sciences group – activities which ranged from wheelchairs to life support systems.

However, he said the company would continue to concentrate on the production and distribution of specialised scientific and medical instruments and would be looking to make another acquisition in the sector.

Phicom had net cash totalling £9.2m at the year-end, he stated.

UK Paper offer subscribed over 11 times

By Maggie Urry

The offer for sale of 29.5m shares in UK Paper closed yesterday more than 11 times subscribed. Schroders, merchant bank to the issue, will announce the basis of allocation today.

The company makes high quality printing papers and largely consists of the paper interests of Bowater Industries, which were bought out by the management in September 1986.

Dealings in the shares, offered at 135p, are due to start on March 17 and a premium to the issue price is expected, barring a fall in the stock market over the Budget period.

Law Debenture

The Law Debenture Corporation, investment trust, announced net asset value of 296p at end-December 1987 compared with 306.4p a year earlier.

A final dividend of 5.25p (4.75p) is proposed, making a total for the year of 8.5p (7.5p). Earnings worked through at 10.71p (10.04p) per share.

Gross revenue for the year was £5.88m (£4.95m) and the pre-tax figure came out at £3.6m (£3.25m).

British Land

British Land has acquired the shares it does not already own in Rosehaugh Greycoat Estates, the beneficial owner of 1 Finsbury Avenue, the 250,000 sq ft office development in the City of London, for £18.7m.

Coats Viyella lifts profits 17% despite a difficult year

BY ALICE RAWSTHORN

Coats Viyella, the biggest textile group in Europe, yesterday announced a 17 per cent increase in pre-tax profits for 1987 to £213m on turnover which rose by 2.5 per cent to £1.8bn. It also signalled its intention to embark upon acquisitions.

Mr David Alliance, chief executive, described 1987 as a "difficult but constructive year" for the group. Difficult trading conditions had been encountered in handknitting and acrylic spinning activities. Moreover large parts of the group were in the throes of restructuring and the decline of the US dollar had taken its toll on turnover.

Nevertheless Mr Alliance said the group had benefited from productivity improvements and from past restructuring programmes. "We ended the year in stronger shape than when we began it," he added.

The task of integrating Coats Patons with Vantona Viyella – following their merger two years ago – had largely been completed and the group was now ready to expand by acquisition within textiles in Europe and the US.

Operating profits rose to £213.5m (£187.8m) and the group received a contribution of £6.6m (£7.1m) from related companies. Coats paid £7.3m (£13.2m) in interest and £48.2m (£48.8m) in taxation. Earnings per share rose to 29p (23.6p). The board proposes a final dividend of 6p making 8.7p (7.25p) for the full year.

The group's handknitting companies suffered from a worldwide slump in demand *for knitting* yarn last year and their contribution to profits fell by £10m. The thread companies fared well, however, reflecting the benefits of modernisation and reorganisation. Thus profits from both businesses rose to £103.6m (£90.6m).

Profits from the clothing division *fell to £36m (£39.1m) chiefly* because of the sale of the group's Australian interests. The remaining businesses performed well, except for Jaeger which was reorganised in the UK and suffered from sluggish sales in the US.

Household textiles emerged as one of the most successful areas of activity. The progress of the carpets division was impeded by continuing reorganisation, but Mr Alliance said that it had increased profits. Coats added Youghal, the Irish carpets manufacturer, to its interests last year. Household textiles and carpets, saw their combined profits rise to £26m (£19.7m).

Profits from yarns and fabrics rose to £28.5m (£21m). In recent months Coats' acrylic spinning interests in the UK have suffered from a slump in the market. The precision engineering division saw profits increase to £20.9m (£19.1m).

The decline of the US dollar – the group takes a fifth of its sales from North and South America – depressed the growth of turnover. Without adverse exchange rates, Coats' turnover would have grown by 7 per cent rather than 2.5 per cent. But profits growth was unaffected by currency changes, because of the balancing effect of group borrowings in the US.

Mr Alliance described the pattern of trading so far this year as "very encouraging".

See Lex

Consortium gains 48% of OIS

BY STEVEN BUTLER

The consortium led by Mr Paul Bristol yesterday said it had acquired control of more than 48.16 per cent of Oilfield Inspection Services, testing and inspection company, as the first closing date of its £4.5m bid for the company.

The consortium is aiming to acquire at least 51 per cent of the company.

The stake consists of 23.3 per cent previously acquired by Mr Bristol, 17.7 per cent committed by two dissident OIS directors, 4.2 per cent purchased in the market since the offer was launched, and 2.9 per cent of other acceptances.

The offer, which remains conditional as to acceptances, was extended to March 16. The bidders had already declared the offer final in the absence of a rival bid or an agreement with the board.

OIS has urged shareholders to reject the bid.

UK COMPANY NEWS

Kleen-E-Ze's new broom through NSP acquisition

BY CLAY HARRIS

Kleen-E-Ze Holdings, the brushes and cleaning materials company built on door-to-door selling, is to buy NSP Group, a British specialist in altogether more modern and innovative direct marketing techniques.

The acquisition of NSP for an initial £11m, with additional profit-linked payment of up to £22m, will give Kleen-E-Ze a leading role in direct-response catalogues, a growing field pioneered in the UK by NSP's founder, Mr Nigel Swabey.

NSP's catalogues, including Discoveries, Accent and Quorum, are distributed with bank and credit-card statements, or in the case of Innovations, inserted in Sunday newspapers. In addition to publishing, merchandising and consultancy, NSP plans to move into direct-response sales on television and to open its first retail outlet.

The acquisition is Kleen-E-Ze's first since Mr Ned Cook, a US entrepreneur, bought majority control last summer. It will be funded through the issue of 2m shares, the majority of which will be offered to shareholders.

Kleen-E-Ze is also to raise £5m through a rights issue at 550p. The proceeds will eliminate £3.6m in borrowings and be used for capital investment. Kleen-E-Ze shares were unchanged at 725p after the deal was announced.

Nigel Swabey: direct-response catalogue pioneer in the UK.

NSP is expected to give an immediate facelift to the products and presentation of Kleen-E-Ze's existing "Shopping at Home" operation. The company stressed yesterday that the position of its 3,500 agents would be unaffected by the new broom.

Although Mr Swabey and Mr Clive Beharrell will join the Kleen-E-Ze board, NSP will be run autonomously from the group's industrial operations which manufacture plastic products such as trigger pumps as well as brushes and household and industrial cleaning materials.

Mr Swabey had a key role in two of the leading names of merchandise direct-marketing, Kaleidoscope and Scotcade. He founded the former on behalf of W H Smith and Doubleday and published the first direct-response mail order catalogue for the latter in 1981.

Kaleidoscope and Scotcade are both now owned by Next, the retail and catalogue group. Next and NSP together account for about 85 per cent of the direct-response catalogue market.

NSP reported pre-tax profits of £1.2m on turnover of £15m in the year to August 31. Kleen-E-Ze achieved £920,000 pre-tax on sales of £17.4m in the year to March 31 1987.

Kleen-E-Ze predicted a "satisfactory" outcome to its current 12-month period and forecast dividends of 9p for the 17 months to August 31, its new year-end, against a total of 6p in the year to last March 31.

The 1.6m shares not retained by the vendors will be offered to shareholders on a 54.5-for-100 basis by Hambros Bank. The parallel rights issue is on a 37-for-100 basis.

Enlarged Era jumps sharply to £5.38m

BY DAVID WALLER

Era Group, the furniture and hobbies retailer hatched from the former shell company, "The Times" Veneer, yesterday reported a near doubling of 1987 pre-tax profits and a 71 per cent increase in earnings.

Taxable profits, up £2.49m to £5.38m on a merger accounting basis, derived almost exclusively from two companies bought during the course of last year. These were Lexterten, a retail chain selling reproduction furniture, and Kohnstam, which sells hi-tech model toys.

The figures were the first since a team of three former Combined English Stores executives won management control last November – but did not reflect their activities.

One of the trio, Mr Pat Hammond-Turner, said yesterday that the time was approaching when they would seek to add some extra legs to the business through acquisition in other specialist multiple retailing fields – particularly clothing, adornment and leisure.

Kohnstam, bought for £17m in June last year, contributed £1.56m at the pre-tax level, an increase of some £400,000. Lexterten, purchased a year ago for £11m, made £3.4m against £1.8m following the opening of ten new stores last year.

Turnover was £50.07m (£47.48m) and operating profits £5.5m (£3.3m). Fully diluted earnings rose from 3.78p to 6.45p. A final dividend of 1.5p per share makes 2.5p for the year, five times the 1986 payout.

There was an extraordinary debit of £162,000 to cover compensation paid to a former executive director and to Mr David Landau, chairman until the end of last year and architect of Era's transformation from May to the arrival of the CES trio in the Autumn.

Cattle's ahead by 35%

Cattle's (Holdings), Hull-based financial services and retailing group, lifted pre-tax profits by 35 per cent, from £3.61m to £4.86m, in 1987.

Turnover rose by 18 per cent to £114.29m (£97.02m). Mr Roy Waudby, chairman, said the first two months of the current year had shown strong trading with healthy increases in turnover in all areas.

A final dividend of 1.3p (1.25p adjusted) makes a total of 2.5p (2p). Earnings improved from 4.21p to 5.71p.

The group's travel agency business, acquired in 1986, had seen modest expansion but was not expected to make a contribution in the short-term.

Rosebys, the retail chain, had expanded rapidly, but continued to require reorganisation to absorb acquisitions. A substantial improvement by Rosebys was expected in the current year.

Antofagasta improves to £12m

BY DOMINIQUE JACKSON

Antofagasta Holdings, UK listed company with water, distribution and railway interests in Chile, lifted pre-tax profits from £9.08m to £12.2m in 1987.

The directors propose a final dividend of 8p per share, making a total for the year of 10p (8.5p). Earnings per share were 34.3p (29.7p).

Antofagasta's main activity is the operation of railways in Chile but the company also has interests in copper and gold mining and forestry.

Turnover and profits for the railway were affected by a reduction in imported wheat shipments to and exported minerals from Bolivia, mainly due to that country's economic problems.

The results of the mining operations, Minera Carolina de Michilla, were consolidated for the first time in the 1987 accounts and contributed £3.23m. Also included for the first time was a £589,000 contribution from Forestal Colcura.

The company said a strong copper price in the second half of the year boosted Michilla's profits.

Commenting on the fortunes of its associated companies, Antofagasta said Madeco, copper wire and tube manufacturer, and VTR, telecommunications group, had achieved excellent results.

A new gold mine is scheduled to commence commercial production in May while a recently announced joint venture with Cluff Mineral Exploration will start heap leach production of gold in Spain late this year.

Mucklow 17% growth midway

A 17 per cent rise in first half profits is reported by the A & J Mucklow Group, which claims to be the largest owner of factory sites in the Midlands.

The directors said that this gave them confidence that their forecast of higher profits for the year would be achieved. In 1986-87 the group made £6m.

In the six months to December 31 1987 net rental income rose from £3.32m to £3.97m, after outgoings of £210,000 (£406,000).

The group, which is also engaged in house building, had a turnover of £1.06m (£1.53m). Trading profit was to £242,000 (£219,000).

Pre-tax profit was £3.25m (£2.78m) and earnings worked through at 4.74p (3.7p). The interim dividend is 2.82p (2.56p).

APPOINTMENTS

Directors at Lloyds Bank

Mr Ian Prosser, chairman and chief executive of Bass, has been appointed a director of LLOYDS BANK from April 1. Sir William Harding, who has been an adviser to the board on international affairs and a director of Lloyds Merchant Bank since March 1987, also becomes a director of the bank from April 1. He retired from the diplomatic service in January 1987.

★

Mr Philip Whitehead has been appointed marketing director of NORMOND INSTRUMENTS, part of the Micrelec Group.

★

SUPERDRUG STORES has appointed Mr Colin Carter as associate director-estates.

★

G.T. MANAGEMENT has appointed Mr Roger Yates to the new post of investment director for both unit trusts and mainstream offshore funds. He was senior manager of UK equities. He is joining the board of G.T. Unit Managers, GT's unit trust division.

★

Mr David Thomas, chairman of the leisure and gaming division, and Mr Ray Jordan, chief executive of the security division, have been appointed directors of LEADING LEISURE. Mr Thomas joined from Ladbroke, and Mr Jordan from the Allied Vintners division of Allied-Lyons.

★

Mr Vincent Hillier has been appointed general manager of HOTFOIL.

★

Mr Robert Newman has been appointed to the board of ASHLEY INDUSTRIAL TRUST.

★

Mr W.R.L. Leigh has been appointed company secretary of the SAVOY HOTEL succeeding Mr K.P.J. Strange who is retiring.

★

Mr Tom Macpherson joins TYNE AND WEAR DEVELOPMENT CORPORATION as director of operations. He was with the Scottish Development Agency.

★

THE ENGINEERING COUNCIL has appointed Mr Denis Filer, director of engineering at Imperial Chemical Industries, as director general from August 1 when Dr Kenneth Miller retires.

★

Mr Andrew Wallis has joined LONDIS (HOLDINGS) as financial director. He was financial controller for Prime Computers.

★

GRESHAM-CAP has appointed Mr G.C. Warner as managing director. He was director of submarine systems, CAP Scientific, and marketing director, Gresham-CAP.

SNAMPROGETTI, UK subsidiary of the Italian company, has appointed Lord Robens as president. Mr Peter Hall replaces Lord Robens as chairman, and Mr Paolo Castiglioni is confirmed as managing director.

★

Mr Jason Cross, partner in GRANT THORNTON's London office, has been appointed head of corporate finance.

★

Mr Derek Brightwell, who is retiring as chief surveyor of London Life, has joined the board of NAPIER SECURITIES as chairman.

★

STEEL BURRILL JONES GROUP has appointed Mr J.D. Williams, Mr A.A.J.L. Troughton, Mr J.C.W. Wright, and Mr R.J. Bell as directors subject to approval of a change in the company's articles. They are directors of the group's Lloyd's broking subsidiary.

★

Mr Adriano Dispenza has joined MERRILL LYNCH EUROPE as an executive director with responsibility for investment banking in Italy. He was managing director of First Chicago, London merchant bank of the First National Bank of Chicago.

★

Mr Garry Fox has been appointed managing director of SOVEREIGN CHICKEN. He was agricultural director.

★

Mr Graham Fox has been appointed head of JARDINE INSURANCE BROKERS professional indemnity department. He joins from Stewart Wrightson Professional Indemnity. Mr Anthony Hoare also joins the department from Stewart Wrightson.

★

MEYER INTERNATIONAL has appointed Sir Peter Thompson as a non-executive director. He is chairman of National Freight Consortium.

★

YAMAICHI BANK (U.K.) has appointed Mr Takashi Kato (Yamaichi Securities) as chairman; Mr Peter Bulfield (formerly Schroders) as managing director and chief executive; Mr Yasuke Matsuzaki (Yamaichi Securities) as managing director; Mr Keichi Nakata (Yamaichi Securities) as deputy managing director and general manager (banking department); Mr Mel Goodchild (formerly Riggs National Bank) as general manager (treasury department); Mr Naoki Seki (formerly Fuji Bank) as general manager (credit department); Mr Hiroshi Yamada (formerly Bank of Tokyo) as general manager (operations and administration department); and Mr Michael FitzGerald (formerly Bank of Montreal) as company secretary and financial controller. The Bank is a wholly-owned subsidiary of Yamaichi Securities Co., Tokyo.

★

Mr Ron Williams, deputy chairman of the industrial operating group, has been appointed an executive director of SMITHS INDUSTRIES. He will succeed as chairman of the operating group when Mr W.F. Sykes retires on April 11.

★

BRITISH CREDIT TRUST, finance and leasing arm of the Bank of Ireland Group, has appointed the following associate directors: Mr John Willis, Mr Philip Arrowsmith, Mr Kevin Harris and Mr Derek Hannah become regional directors; Mr Mansel Priestley becomes consumer development director; and Mr Howard Wilson becomes industrial development director.

Mr Peter Davis, group finance director, Sturge Holdings

★

SCHRODER VENTURES, venture capital and management buy-out arm of the Schroder Group, has appointed Dr Barry Minton as a partner. He was managing director of Case Communications (UK). Mr Graeme Lythe joins as partnership secretary from a similar post in the insolvency department of Touche Ross.

Sturge group finance man

Mr Peter A. Davis will be appointed to the board of STURGE HOLDINGS as group finance director from May 3, when Mr Pat Houghton retires. Mr Davis was executive deputy chairman of Harris Queensway. He is a non-executive director of Abbey National Building Society, and of Avis Europe.

★

GRANVILLE & CO., has appointed Mr Colin Richardson to the board of Granville Davies Coleman, a Stock Exchange member firm subsidiary. He will be appointed to the board of Granville in May. Mr Richard Versen has been appointed an assistant director. Both join from Gerrard Vivian Gray.

★

AUTOMOBILE ASSOCIATION PROTECTION AND INVESTMENT PLANNING has appointed Mr John Kavanagh as manager, personal financial planning. He was with Abbey Life.

Board posts at Arlington

ARLINGTON SECURITES has appointed Mr Peter Cotton to the board as marketing director and Mr Ray Norris as construction director. Arlington has also created three main subsidiaries: Arlington Business Parks, where Mr Patrick Vaughan, a main board director, will be chairman and Mr Patrick Deigman managing director; Arlington Retail Developments, where Mr Raymond Mould, Arlington's managing director, will be chairman and Mr Edward Dudley managing director; and Arlington Estates, responsible for all leisure and mixed developments, where Mr Gavinn MacEchern, a main board director, will be chairman

UK COMPANY NEWS

Collins beat forecasts with £24m

BY DOMINIQUE JACKSON

William Collins, publisher, yesterday announced pre-tax profits well ahead of expectations, up 55 per cent from £15.5m to £24.1m. Turnover rose 13 per cent to £162.7m (£144.4m) for the year ended December 27 1987.

The company also announced that Mr George Craig, who has been joint chief executive of Harper and Row since May, would leave Collins next month after 13 years' service.

Mr Ian Chapman, chairman and chief executive, said Mr Craig's departure was a result of "certain differences of approach which have emerged over the last few months."

The directors recommended a final dividend for both the ordinary and A non-voting shares of 8.5p, making a total of 11.75p for the year (9.25p). Earnings per A share rose to 41p, against 30.4p.

The profits included a £4.7m contribution from Harper and Row. Collins bought a 50 per cent stake for $95m from News America, part of Mr Rupert Murdoch's News Corporation. News International, News Corporation's UK offshoot, has 41.68 per cent of Collins' voting stock.

Collins had attacked corporate overheads and manning levels at Harper and Row and made other cost-cutting moves which resulted in a dramatic improvement in performance, Mr Chapman said.

A further £1.1m from the disposal of the UK technical list was taken above the line as an exceptional item. The sale, plus a rights issue in October, enabled the company to eliminate borrowings, ending the year with a cash surplus of £13.8m.

Mr Chapman said it had been a year of growth and achievements. "All in all, it is a remarkable story of publishing success and we foresee greater volumes to come."

He added that Collins planned to be very acquisitive this year and, with its US ambitions satisfied by the Harper and Row stake, would look to Europe and Australia.

Mr Christopher Taylor is joining the company from Babcock International, engineering group, as finance director.

● comment

Few bookworms would disagree that the publishing coup of last year was the issue of Mikhail Gorbachev's "Perestroika". Collins has certainly added an important author to its list. The collected musings of the Soviet leader has already sold over a quarter-of a million copies in English and countless more in other languages. The tome was a joint Collins/Harper and Row publication and aptly illustrates how fortuitous the link-up has been. Although Collins does not give an earnings breakdown, its latest manoeuvres have guaranteed a more balanced earnings spread. The group is no longer in danger of being over-dependent on earnings from any one division. Most are steaming ahead – taka for exampla Collins Inc where a 16-strong team produces glossy coffee table editions retailing for $40 a piece. Current forecasts for £35m give a fairly-pitched prospective multiple of around 11.

Hazlewood in further European purchase

By Philip Coggan

Hazlewood Foods, the fast-growing food manufacturing group, has expanded further in Europe with the purchase of the Feldhnes Gronp for DM32.5m (£10.6m) in cash.

Feldbnes mannfactures cooked meat products at two factories in Metelen, West Germany and at Clones in the Irish repnblic. In 1987, it reported pre-tax profits of DM5.5m on turnover of DM25m.

Further consideration will be payable if Feldhues exceeds pre-tax profits of DM5.5m in the year to March 31, 1989.

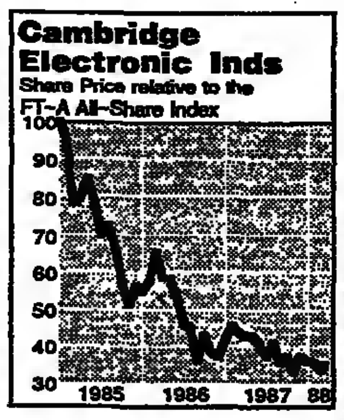
Hazlewood bas axpanded rapidly over the last few years via the acquisition of a spate of private food companies, but recently it has paid particular attention to its growing European operations. HBB, which produces smoked meats, was acquired last August; Wafel Janssen, a sweet waffles group, was bought in September, both are Dutch companies.

Before the Feldhues acquisition, Hazlewood's European operations were expected to produce about 20 per cent of annual profits.

Cambridge Electronic rises to £13m after rationalisation

BY ANDREW HILL

RATIONALISATION and better trading conditions at Cambridge Electronic Industries, producer of electronic components and printed circuit boards, lifted pre-tax profits to £13.01m for the year to the end of December, compared with £10.1m in 1986.



The company increased profits in all divisions except defence and instrumentation, which was affected by uncertainty about Ministry of Defence buying requirements.

Group turnover was up to £147m (£132.4m) and earnings per share from 14.7p to 19.9p. The board is recommending a final dividend of 6.1p, slightly below expectations, making 8.5p (8p) for the year.

A year ago, following slightly reduced profits in 1986, CEI laid off 300 employees, mostly middle managers in supervisory roles.

Mr John Jackson, CEI chairman, said yesterday: "We're now in a strong position to expand. The restructuring has turned us into an aggressive and thrusting group and we have an interesting platform for a natural extension of our present business."

Last year the group's specialist companies increased trading profits over 67 per cent to £4.34m (£2.6m) on turnover up from £24.8m to £36m. Both C.I. (Polymers), the injection and structural foam moulding business, and Graseby Medical, whicb makes drug delivery systems, were major contributors to the division's growth.

Mr Jackson said the company would probably turn Graseby Medical into a separate division in the near future.

Interconnection technology continued to record the largest sales and increased trading profits to £3.45m (£2.48m) on turnover of £43.7m (£40m).

Althongb salea dropped slightly in the electronics components division, profits increased by nearly 22 per cent as a result of organisational changes, helped by the recovery of Elec-Trol, the US subsidiary, which returned to profit in 1987.

Trading profits in the defence and instrumentation division dropped by 12 per cent to £2.89m (£3.28m) while sales – more than 40 per cent of which are overseas – rose to £33m (£32.8m).

● comment

So diverse are CEI's subsidiaries that the company has been described as an investment trust of electronics companies. But one can see advantages in an approach which nurtures a range of profitable ideas: C.I. (Polymers) and Graseby Medical, for example, are supporting the core activities well, while Graseby Ionics – part of the defence division – is working on a potentially lucrative monitor for poisonous gases with defence and industrial uses. With £1.25m cash to hand CEI is well-placed to add to these specialist companies, possibly in the variable speed drive area, but the group says it will not be taking risks. Meanwhile, the company is protected from recession by low dollar exposure and the fact that its so-called passive components are atandard on many electrical fixtures. Bepi, the printed circuit subsidiary, sbould returu to profit this year helping to lift the group to at least £15m before tax. The shares rose 7p to close at 220p last night, but still look cheap on a prospective p/e of about 9.5.

Arlington doubles to £14.7m

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Arlington Securities yesterday delivered its promised doubled annual profits to the Stock Exchange but received little response as the share price hovered around the overnight level of 207p.

The property group, which is one of the leaders in business park development but also has an expanding retail portfolio, made pre-tax profits for the year to last December of £14.65m, against £7.05m in 1986.


Lord Keith: optimistic for the current year

Earnings per share, after a £52m rights issue to purchase the Aztec West business park near Bristol and to restructure the balance sheet, were 16.24p, up 70 per cent on the previous year.

Shareholders are receiving sharply increased dividends. The final is 2.8p a share, bringing total payments for the year to 4.0p, almost double the 2.2p paid for 1986.

Lord Keith of Castleacre, the chairman, said that the group "is all set to achieve another highly successful year."

Over the past year net assets have been swollen by acquisitions, notably Aztec West, purchased for £33m. They are now valued at £87.5m, or 110.6p a share. Gearing net of cash is a modest 1.03 per cent.

At the same time Arlington's revenue stream has increased. Its 33 per cent interest in Barnards Inn, a Holborn office complex, and the Booker Business Centre have been sold, while income has started to flow from business parks at Frimley, Newbury, Solent and, of course, Aztec West.

The sale of Barnards Inn marks the withdrawal of Arlington, at least for the time being, from the City of London office market. Mr Humphrey Price, the finance director, explained that the group saw the possibilities of profits and expansion being greater in business parks than in the City.

● comment

Major property sales made Arlington profits lumpy last year and it is difficult to expect that the rate of earnings growth can continue at the same pace this year. But the group has been extending its earnings base. All the business parks which made money last year should do so this, but there should also be revenue from parks at Birmingham, Theale and possibly Gatwick. The main difference this year though will come from the retail sector where there should be earnings from the Whiteleys redevelopment in Bayswater, West London, The Forge shopping centre in Glasgow, from a retail warehouse park in Shrewsbury and from a smaller centre at Bury St Edmund's. So there is some reason for Lord Keith's optimism which could turn out on cautious early estimates as 1988 pre-tax profits of about £22m to give earnings per share of 18.1p. This would put the shares, still highly rated despite last October, on a prospective but modest p/e of 11.38.

FJC Lilley contract dissolved

By Clay Harris

FJC Lilley, construction group, said yesterday that a Cairo sewer contract involving its US subsidiary, Harrison Western, had been amicably dissolved after technical disagreement with the project's design engineer.

Lilley has received a cash payment in excess of £1m covering part of the plant which had been installed on site. It will take a slightly larger extraordinary write-off for tha year which ended on January 31.

Harrison had a 70 per cent interest in the $50m (£27m) Cairo Twenty contract wbich was funded by tha US Agency for International Development.

Antler up 28% after improved second half

A second half surge enabled Antler to record a 28 per cent advance in 1987 pre-tax profits.

This USM-quoted luggage and travel goods maker, made a profit of £1.11m (£871,000) on turnover 17 per cent ahead at £11.73m (£10.04m).

Earnings rose to 12.2p (9.8p) per 5p share and a final dividend of 2.2p gives a total of 3.5p (2p).

W & R Jacob profits grow

W & R Jacob, Dublin-based biscuit maker and food distribntor, lifted its profit by 19 per cent to I£2.52m (£2.19m) in 1987, compared with I£2.11m.

Trading margins were raised from 4.8 to 5.1 per cent, and were backed np by reduced interest charges. The final dividend is 5.4p for an 8p (7p) total.

While the company held its volume sales in domestic and export markets, turnover only rose marginally to £54.98m (£54.71m) because of minimal price increases in the highly competitive home market.

The directors said the opening quarter had been affected substantially by an industrial dispute.

Bullers down to £204,000

Bullers, the Berkshire-based ceramics and enamel manufacturer recently in receipt of an abortive bid approacb from Rock, motor component and tool distribution group, followed np its halfway deficit by revealing sharply reduced taxable profits for the full year.

In the 12 months to end-December, profits fell from £855,000 to £204,000 on turnover down 9 per cent to £8.59m.

Mucb of the profits setback was attribntable to tbe performance of the consumer products division whicb reported a loss of £21,000 against a profit of £346,000 for 1986. The directors said the division had sustained a loss of £172,000 in the first half and although it had returned to profitable trading, this proved insufficient to eliminate the earlier deficit.

After tax of £128,000 (£192,000), earnings per share slumped to 0.41p (5.36p). A maintained final dividend of 1.5p is recommended, however, making an unchanged total of 2p.

The directors said that tbe series of acquisitions made in the last two years represented "significant steps in the realisation of building Bullers into a major specialiat group in upmarket consnmer products".

The benefits of the necessary remedial action in some of the purchases should begin to show during the current year. The group has low gearing and remained alert to further possible acquisition opportunities, they added.

Davidson acquisition

Davidson Pearce, the advertising agency, has agreed to acquire Davis Gibson Advertising, a specialist advertising agency.

The purchaser proposes to merge DGA with its own specialist division Davidson Pearce Associates and will rename it Davidson Gibson Associates.

Tbe initial conaideration will be £350,370, to be paid in cash or by the issue of loan stock – or a combination of both.

DGA's net profits for tbe year ended June 30 1987 came to £52,000 and its net asset value at tbat date was £304,000.

Copymore lifts profits to £1.3m

Copymore, office equipment supplier, reported pre-tax profits increased from £490,000 to £1.31m in the year to end-December.

The outcome was scored on a 33 per cent expansion in turnover to £12.08m. After tax of £474,000 (£241,000), earnings per 5p share leapt to 8.4p against 2.5p last time.

The group finally came to the USM last month after the flotation, originally set for October, was postponed due to the market crash.

A dividend for the period of 2p per share was paid on December 30.

UK COMPANY NEWS

'New' TI shows 44% lift as profits top £62m mark

BY CLAY HARRIS

TI Group, engineering company, yesterday reported a 43.5 per cent advance to £62.3m in pre-tax profits for 1987, a year in which it sold several traditional businesses to concentrate on international leadership in three specialised sectors.

Although turnover fell by 18 per cent to £856m (£1.04bn), reflecting the disposal of domestic appliance, bicycle and machine tool operations, TI said both sales and profits of activities operating throughout 1986 and 1987 increased by an average of 12 per cent.

Reporting on his first full year as chief executive, Mr Christopher Lewinton said: "We have successfully created and executed the strategy which has resulted in a new TI." The shares rose 1p to close at 339p.

Earnings per share rose 28 per cent to 28.6p (22.4p), the growth lagging behind the pre-tax advance because of a higher tax charge. A recommended final dividend of 6.5p (5p) lifts the total by 25 per cent to 10p (8p).

Profits from specialised tubes more than doubled, thanks to a full-year contribution from the former Armco Europe business and despite reductions at the *Cold Drawn Tubes joint venture* with British Steel and at Ackles & Pollock because of lower demand for nuclear power components.

The division will get another boost through this week's revival of the plan to buy Bundy, North American leader in small-diameter tubing.

Specialised engineering received an unspecified last-quarter contribution from John Crane, the US mechanical seals maker bought as part of Houdaille Industries. The non-Crane businesses of Houdaille were held at arm's length before the crash-delayed disposal in January.

Interest costs fell to £3.5m (£11.5m). Disposals produced an extraordinary credit of £90.2m (£68.4m charge), with the £130m gain on the appliances businesses being reduced by a loss on the machine tools sale.

By including the January non-Crane disposals in 1987, TI achieved positive cash flow of £80.4m (£2m outflow). Operations generated £14m (£7.9m) in cash.

TI GROUP profits by division (£m)

	1986	1987
Specialised engineering	18.4	28.1
Automotive	14.9	15.1
Specialised tube	8.7	18.8
Domestic appliances	20.1	5.3
Cycles	(2.4)	–
Total pre-interest profit	59.4	65.8
Interest	(15.0)	(3.5)
Pre-tax profit	43.4	62.3

● **comment**

TI has every reason to be pleased. Without stumbling, it saw Raleigh finally on its bike, followed by Creda, Parkray, New World, Glowworm, Russell Hobbs and Tower (more household *names than most companies see* in a lifetime), and successfully salvaged two separate US deals, totalling £200m, from the debris of the crash. All the while, the underlying business was showing its best performance for years. So far, so good, but now what? Small disposals are likely, perhaps of automotive businesses like industrial clutches and brakes, perhaps of the BSC joint ventures. A £300m multi-option facility could be used to fund bold acquisitive leaps, not just in-fills. This would provide a key test for both management and market, which has perhaps unfairly seen the restructuring achieved so far as obvious and fail-safe. Enthusiasm for yesterday's figures was restrained by the higher than *expected tax charge and minorities*, but the shares are still underpriced relative to the market. At £81m pre-tax, the prospective p/e is just over 9.

Thos. Robinson rises to £12.3m

BY DAVID WALLER

NO FEWER than eleven acquisitions, worth a total of £30m in cash and shares, helped Thomas Robinson increase pre-tax profits by nearly 75 per cent to £12.32m last year.

Yet Mr Graham Rudd, chairman of the engineering mini-conglomerate and architect of its revival over the last two and a half years, chose to emphasise *the company's organic growth.*

Stripping out contributions from purchases, all of which have been acquisition-accounted, profits climbed by 44 per cent to £10.18m.

Turnover in the businesses owned at the beginning of the year rose by 26 per cent to £89.2m. Including acquisitions, group turnover rose £42.38m to £113.02m.

Fully diluted earnings per share rose 55 per cent to 39.9p, and the final dividend is to be 6p, making a total of 8p for the year against 3p in 1986.

The strongest growth came from the process engineering *division. Here, operating profits* added 61 per cent to £5.92m on turnover up only 18 per cent to £49.68m

● **comment**

In common with many engineering mini-conglomerates, Thomas Robinson's shares were *ravaged during the market crash*, losing a lot more than half their value. An element of this was investor disaffection with any company partial to acquisitions, *but Robinson's shares suffered* particularly badly because of fears that the group would be vulnerable to cutbacks in expenditure on capital goods. Yesterday's disclosure that orders now stand at £60m, more than half last year's turnover, goes some way to dispelling that particular cloud. Organic growth was unquestionably vigorous, and should continue to be so this year as the company penetrates overseas markets and benefits from the end of discounting at Baker Perkins, the UK's predominant manufacturer of food machinery which is now part of APV. Robinson should make £16.5m this year, putting the shares – up 6p to 440p yesterday – on a prospective p/e of little more than 9. A lamentable rating for a company with a good record and good prospects – *and one which will* make rapid paper-financed growth impossible.

Pineapple plans name change as profits jump

By Fiona Thompson

Pineapple Group will announce its new name in the next couple of weeks, and it will not be fruity, Mr Peter Bain, chairman of the USM marketing company, said yesterday.

Pineapple formally hung up its dancing shoes, and all links with founder Ms Debbie Moore, at an EGM in January. Half-year profits announced yesterday include an extraordinary charge of £481,000, associated with the disposal of all the dance studio activities.

Pre-tax profits for the six months to January 31 more than quadrupled to £1.47m, from a restated £358,000, on sales ahead to £6.06m (£3.7m).

Pineapple aims to supply support services for commerce and industry. It has two premium gifts businesses – Premium Pen and Regent Leather-goods – and two sales incentives businesses – Golden Key Promotions and Keymark Out and About.

There are two US businesses, one in sales promotion and the other organises sales conferences and seminars.

Yesterday's figures were the first to include full contributions from all six businesses. The company expects to announce further acquisitions soon and to resume dividends this year.

Arenson reports strong first-half

Pre-tax profits surged from £351,000 to £904,000 at Arenson Group, Hertfordshire-based office furniture and equipment manufacturer, for the six months ended January 31 1988.

Mr Archy Arenson, chairman, said that as usual, second *half profits should be higher* than in the first. This year, however, the directors expected a slightly better balance between the two trading periods. For the year ended July 31 1987 the company made £1.28m pre-tax.

The interim dividend is doubled to 1.1p, payable from earnings ahead from 2.63p to 5.42p per 10p share. Turnover amounted to £10.8m (£8.15m).

Frogmore rises sharply

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE INCREASING level of trading activity helped to lift sharply interim pre-tax profits at Frogmore Estates, the property company, and the stock market reacted yesterday by pushing its shares up 13p to 318p.

Pre-tax profits for the six months to last December were £22.78m compared with £8.36m in the first half of the 1986-87 year. Earnings per share were 38.3p against 16.7p.

The directors have declared an interim dividend of 2.3p, or 7.5 per cent more than at this time last year. Total payments for the 1986-87 year were 8.608p.

Estimated net asset value per share at the end of the first half was 333p, up from 300p at the year end. But this understates the present position because of the purchase of properties, notably in the Holborn area of central London, which will be valued at the end of the financial year.

The profits growth reflects an acceleration in the company's activities over the past two years, now that it has largely withdrawn from housebuilding, and rationalisation of its portfolio.

A decisive push came from the sale, for £13m, of land in London's Docklands, on the books since 1973. To that extent, the interim figures are exceptional.

Property trading profits during the half came to £17.46m, compared with £8.19m in the first six months of 1986-87, while profits *from the sale of investment properties* reached £5.27m (£172,000).

Laidlaw Thomson moves up 39%

Laidlaw Thomson, the USM-quoted architectural ironmonger, increased pre-tax profits for 1987 by 39 per cent to £1.26m on turnover up from £18.86m to £22.04m.

Mr David Whitworth, chairman, said that Muir Laidlaw was the outstanding achiever.

Profit after tax and minority *interest came to* £824,000 (£549,000) and earnings per share were 12.85p, up 40 per cent on the 1986 figure of 9.15p, after adjustment for July's rights issue. A *final dividend* of 3.25p (2.8p) will be paid, making a total of 4.79p (4.2p).

Cala achieves growth of 50% in first half

Cala, housebuilder and property developer, achieved a 50 per cent profits increase in the first half and expects the full year's figures to continue the growth pattern.

The half year's taxable figure was £1.55m (£1.08m) on turnover *up 26 per cent. The interim dividend* is 0.85p (0.15p).

Mr Geoffrey Ball, the chairman, said that various developments in the commercial property subsidiaries had suffered planning delays, but the division *was still expected to make a positive* contribution in the full year.

ICM cuts loss

International Colour Management has achieved a small reduction in seasonal first half pre-tax losses from £500,000 to £473,000. Mr Colin Clive, chairman, said the loss had been calculated after absorbing *the* £196,000 exceptional expense incurred at ITMA, the Paris textiles exhibition.

Synapse up 23%

Synapse Computer Services, USM-quoted provider of computer services and systems, raised pre-tax profits 23 per cent from £337,200 to £413,400 for the six months to January 31 1988. Turnover was £3.18m and earnings per 5p share rose to 7.63p (4.66p).

ICI wants to buy balance of C-I-L

BY NIKKI TAIT

Imperial Chemical Industries, the chemicals multinational which already holds a 72 per stake in the Canadian C-I-L group, yesterday announced that it intended to buy the outstanding shares at C$47 each. The total cost to ICI will be $184m (£79.31m).

The offer has the backing of the C-I-L directors, and an independent committee of the board has declared that the terms are fair to the minority shareholders. Earlier this month, ICI suggested that it would be willing to pay a total of $148.2m or $38 a share, but it did not have board support.

The revised deal is now *subject* to approval by shareholders speaking for at least two-thirds of the outstanding shares. A meeting is due to be held in Toronto as soon as possible.

ICI says that its offer represents a 58 per cent premium to the $29.75 price at which C-I-L shares were trading on February 15, the day before discussions over the amalgamation proposal started with the Canadian company's board. C-I-L makes a range of chemicals and related products, and in 1987 saw net earnings of $40m on sales of $1.34bn.

Peachey extends EPIC bid

By Paul Cheeseright, Property Correspondent

Peachey Property yesterday extended the deadline for acceptances of its 240p a share offer for Estates Property Investment Company to March 23.

By the time the initial deadline passed on Wednesday, Peachey had received acceptances for, or had acquired on the market, 33.4 per cent of EPIC's issued equity.

Of that, 25 per cent came from London Securities, whose shareholders earlier this week gave authority for its conditional sale. A further 2.6 per cent was bought by Peachey on the market.

Peachey shares yesterday *slipped* 3p to 396p. EPIC *shares* gained 5p to 246p.

Hepworth posts offer document

BY NIKKI TAIT

Hepworth Ceramic, building materials group, yesterday posted *its formal offer document for* door manufacturer Henderson.

Professor Roland Smith, chairman, argues Henderson's garage door business will be strengthened by Hepworth's distribution experience with builders merchants and by its salesmen servicing this market. He also suggests that a joint approach to the DIY market will be beneficial.

The £84.6m cash bid has the backing of Henderson directors, and Hepworth has already purchased or agreed to purchase 29.6 per cent of Henderson's shares. Adding in irrevocable undertakings and indications of present *intention to accept*, Hepworth reckons to control 47.8 per cent of its target's shares.

A lower rival offer – largely in paper – from Newman Tonks remains on the table and is due to close on Sunday.

Ben Bailey up threefold

Ben Bailey Construction, house *builder and estate* developer, more than trebled its pre-tax profits for the half-year to December 31 1987. They rose from £112,384 to £384,244 on turnover up from £3.74m to £6.80m.

Earnings came out at 4.71p *(1.85p) and the interim dividend* was up from 0.4p to 0.6p.

The directors said that the level of forward house sales was encouraging and that the merchanting division had benefited from the buoyancy in the construction industry. They said that all companies in the group had performed well with most of the profit being generated by Ben Bailey Homes.

Texan interests for Oliver Resources

Oliver Resources, Irish exploration company, is issuing 800,000 shares in exchange for interests in 24 producing oil and gas wells in east Texas. The interests are expected to generate $250,000 of net revenue this year, based on current prices. Estimated proven reserves amount to 3.5bn *cu ft* of gas and 25,451 barrels of oil.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Antler	fin	2.2	-	2	3.5	2
Antofagasta Hlds	fin	8	June 9	7.25	10	8.5
Arenson Group	int	1.1	May 16	0.55	-	1.9
Bailey (Ben)	int	0.6	-	0.4	-	1.2
Bullers	fin	1.5	May 5	1.5	2	2
Cala	int	0.85	Apr 20	0.7	-	2.2
Cambridge Elect	fin	6.1	May 17	5.8	8.5	8
Cattle's (Hldgs)	fin	1.5†	May 8	1.23*	2.5	2*
Coats Viyella	fin	6	-	5*	8.7	7.25*
Collins (Wm)	fin	8.5†	-	6.65	11.75	9.25
Era Group	fin	1.5	June 1	0.5	2.5	0.5
Frogmore	int	2.8	Apr 21	2.14	-	8.61
Jacob (W&R)	fin	5.4♣	-	4.7	8	7
Ladbroke	fin	7.84	July 1	7	13.89†	12.5
Laidlaw Thomson§	fin	3.25	May 9	2.8	4.79†	4.2
Law Debenture	fin	5.25	-	4.75	8.5	7.5
MTM	int	2	May 25	-	e	-
Mucklow (A&J)	int	2.82	July 1	2.56	-	5.94
Phicom	fin	0.5	May 20	0.3	0.8†	0.5
Readymix	int	0.75♣	-	0.5	0.75	0.5
Robinson (Thos)	fin	6†	Apr 29	3	e	3
TI Group	fin	6.5	Apr 29	5	10	8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ϕThird market. ♣Irish currency.

COMPANY NEWS IN BRIEF

BRENT CHEMICALS International has increased its share of the printed circuit board manufacturing market in the US with the acquisition of North Carolina-based Surface Chemistry Corporation for an initial $338,000 cash and a further $360,000 in three equal annual cash instalments. Surchem has sales of $800,000 and trading assets of $240,000.

ECONOMIC FORESTRY GROUP is acquiring the business, assets and property of Nightingale's Garden Centre, Pulborough, West Sussex, with an option to buy adjacent land for which planning permission has been sought; completion of the acquisition is conditional on permission being granted. Consideration, including the option, will be £804,000 cash, and a further £93,000 will be paid for stock.

GRAND METROPOLITAN told annual meeting there was no sign of any downturn in business. *Existing operations* and acquisitions continued to perform *satisfactorily*.

HOWDEN GROUP.– Of the 20.55m ordinary shares offered by a 1-for-3 rights at 74p each, a total of 19.69m or 95.8 per cent, were taken up. The balance was sold in the market at 97p each.

MARTIN SHELTON has acquired Coleprint, manufacturer of betting slips, for £172,000. The acquisition is expected to result in additional turnover for the group of at least $650,000 in the first full year and the contribution to profits is expected to exceed £45,000.

MOUNTLEIGH GROUP has declared its offer for Phoenix Properties and Finance unconditional, having acceptances and purchases totalling 30.1m (81.4 per cent) Phoenix shares. The offer remains open.

HAMPTON TRUST: Offer by Southend Property Holdings has been made unconditional after having been accepted in respect of 75.05m shares, representing 90.05 per cent

Kennedy Brookes shares soar on approach

By David Waller

Shares in Kennedy Brookes soared yesterday after the hotel and restaurant group disclosed that it had received an approach which "may or may not" lead to a bid. The shares added 88p to close at 388p – capitalising the company at £163m.

Mr Michael Golder, chairman, was locked in meetings with financial advisors yesterday afternoon and consequently unavailable – and unwilling – to identify the bidder. Market speculation suggested a number of possibilities, ranging from Trusthouse Forte – which declined to comment – to Pleasurama, which denied that it had made any approach.

Kennedy Brookes has, over the last year, undergone a considerable transformation. Best-known before 1987 as the owner of the Wheeler's chain of fish restaurants, the company has rapidly built up its hotel interests through a number of acquisitions.

The first major purchase was the 11 strong group of Heritage hotels, bought in *June last year for £35m. This* was followed by the £19.5m purchase of the Onslow Court Hotel in August, and in October by the £64m acquisition of the Londonderry Hotel in London's Park Lane and the *Howard Hotel in New York.*

As a result of this activity, Kennedy ended its last financial year with 1,800 hotel rooms compared with 255 at the beginning of the year. Analysts expect pre-tax profits of £15.5m for the 12 months to October, with hotels likely to account for 70 per cent of the total. Last year, hotels accounted for approximately a third of taxable profits of £8.02m.

Readymix progress

Readymix, Dublin-based concrete producer, raised pre-tax profits from I£696,000 to I£820,000 (£711,744) for 1987. Turnover rose I£48,000 to I£16.6m.

An interim and only dividend of 0.75p (0.5p) for the year was announced.

Hillsdown electronics growth effected by merger proposal

BY PHILIP COGGAN

Systems Reliability is to merge with Fletcher Dennys Systems as part of a further move by Hillsdown Investment Trust, the investment subsidiary of food-to-furniture group Hillsdown Holdings, into the electronics sector.

HIT already had a stake in Fletcher Dennys, USM-quoted microcomputer systems dealer, following a financial reconstruction package arranged last autumn.

Now HIT is making a partial offer for 28.5 per cent of Systems Reliability, telephone management systems group, at 150p per share. In turn, Systems Reliability will make an all-share offer for Fletcher Dennys on a three-for-ten basis valuing the latter group at £14.5m. Irrevocable undertakings to accept the offer have been given by shareholders holding 78 per cent of Fletcher's equity.

The result will be a combined group, renamed Systems Reliability Holdings, in which HIT and investors acting in concert with it will own 13.8m shares (54.5 per cent). Around 2m of the consortium's shares will subsequently be placed with other investors.

Systems Reliability Holdings will then become HIT's vehicle for expansion into the electronics sector. "Systems will benefit from the management team we have put in place at Fletcher Dennys" said Mr Michael Teacher of HIT, who will be the combined company's non-executive vice chairman. "And Fletcher Dennys will gain from Systems' nationwide maintenance network".

The complex structure of the deal allows HIT to retain Systems' full market quote whilst giving cash to two major individual shareholders in Systems, Mr Harrold Allsop and Mr Derrick Haden, who have undertaken to accept HIT's partial offer.

Caledonian Offshore and Conoco in assets swap

BY STEVEN BUTLER

Caledonian Offshore, Edinburgh-based oil company, is acquiring the onshore licences of Conoco, US oil company, in an assets swap aimed at building a more broadly-based exploration and production company.

Caledonian also announced a retained profit for the last half of 1986 of £34,000, compared with a loss of £29,000 previously. Oil and gas sales in the US fell from £107,000 to £79,000.

Caledonian's principle asset has been an 11 per cent interest in block 44/23 of the North Sea, which would cost about £25m to develop. Rather than tie the company's future to one expensive asset, Caledonian has traded this for a 50 per cent interest in 18 onshore licences and a 30 per cent interest in three licences.

It aims to become operator under 15 of the licences, five of which have oil or gas discoveries, and to continue acquiring oil and gas assets in the UK and the US.

Caledonian is also acquiring Cairn Energy Management, which will manage its onshore and offshore assets. A consideration of about £1m is to consist of £40,000 cash, £490,000 of 11 per cent five-year unsecured loan stock, 144,000 new ordinary shares of Caledonian, and warrants to subscribe between 1993 and 1995 of up to 640,000 shares at £2.50.

Three executive directors of Cairn Energy Management will join the Caledonian board, and Caledonian's name is to be changed to Cairn Energy.

The acquisition terms imply that the company intends to expand more aggressively in future, partly through the issue of shares. The directors' warrants cannot be exercised in excess of 5 per cent of the capital of the company, but would amount to 10 per cent of the current capital.

Mr Bill Gammel, a Cairn director, said that Caledonian shares, currently trading on a matched-bargain basis under rule 535, would be brought to the Unlisted Securities Market.

Royal Ldn has 5.1% of JAT

Royal London Mutual Insurance, which featured prominently in the dramatic bid finale at Birmid Qualcast, announced yesterday that it has built up a 5.16 per cent stake in Japan Assets Trust.

Japan Assets is an Ivory & Sime-managed investment trust, and last month convertible loan stockholders blocked a reorganisation scheme put forward by the board.

In the light of this opposition, I&S has said it would reconsult with major shareholders in JAT – in particular, with Anglo & Overseas, the Morgan Grenfell-managed investment trust which holds a 29 per cent stake and has been pushing for a discount-eliminating reconstruction scheme.

It was arbitrage activity by Royal London in the closing stages of the bid by Blue Circle for Birmid Qualcast which led to one of the counting errors by the bidder, causing it to declare victory erroneously.

Fleming Mercantile

Fleming Mercantile Investment Trust holds 14 per cent of Leisuretime International, the hotel and travel group which plans to move into nursing and residential care homes under the direction of the Jivraj family.

KUNICK subsidiary Goldsborough has bought Woodlands Hall NursingHome, Leeds, for £1.37m

Inoco finishes in black

Inoco, the property company that completed the sale of its oil subsidiary in October, achieved a pre-tax profit of £288,000 for 1987 following a loss of £33,000 for the first six months. This compares with a loss of £367,000 for 1986. There were extraordinary charges of £2.34m largely related to oil interests. No dividend is to be paid.

Turnover was £3.73m (£1.76m), administration expenses £603,000 (£710,000), interest paid £862,000 (£76,000), tax £26,000 (£186,000). Earnings per share were 0.4p (loss 5p). At December 31 1987 net assets per 10p share were 30.5p (19.5p).

The company will be seeking approval to eliminate the accumulated deficit on profit and loss account by reducing the amount of the share premium account.

Last ditch meeting for cocoa agreement

BY DAVID BLACKWELL

DELEGATES to the crisis talks at the International Cocoa Organisation (ICCO) have a last opportunity today to resolve problems which could paralyse the cocoa agreement.

Producer and consumer countries reached deadlock on Wednesday over what level of support prices the organisation should be defending. Consumers believe that the rules of the agreement are absolutely clear – if the buffer stock manager buys 75,000 tonnes in a period of less than six months and the ICCO price remains outside the defence range, the prices have to be cut.

The buffer stock manager bought 75,000 tonnes from the market between January 19 and February 25, taking his holding to the maximum permissible 250,000 tonnes. The producing countries case is that now the buffer stock is full, there is no need for further cuts in defence prices.

The range of prices to be defended, which was decided in January only after four successive special ICCO council sessions, stands at 1,485 to 2,155 Special Drawing Rights. Consumers say that an automatic cut of 115 SDRs should now be made under the rules of the agreement, although they would like to see a bigger reduction. The indicator price for March 9 was 1,268.9 SDRs.

Yesterday Mr Albert Russchen held informal talks with both producer and consumer countries to try to find a way around the deadlock. But several key producers did not attend the talks.

If the problem remains unresolved, an arbitration process will be invoked – and all further support measures will be held up until a decision is reached on the interpretation of the rules. This will mean that the withholding scheme which was approved earlier this week will not be put into effect.

However, there are doubts hanging over the withholding scheme as both the Ivory Coast, the world's biggest cocoa exporter, and Brazil owe more than $40m in levies to the organisation. Without this money, the buffer stock manager has only enough to fund the maintenance of the 250,000 tonnes he already has.

Even if the financial and price support problems are solved today, analysts doubt that the withholding scheme – which could take a maximum of 120,000 tonnes off the market – will have much effect on prices.

Last night the second position futures contract closed £8 down at £955 a tonne, a fall of £47 since the crisis talks opened a fortnight ago.

Shell in £710m deal to develop Peruvian gas find

BY DOREEN GILESPIE IN LIMA PERU

ROYAL Dutch/Shell has signed an outline agreement with Petroperu for the $1.3bn (£710m) development of the huge gas find made by Shell in Peru's southern jungle a year ago.

The companies are now to make detailed engineering studies of the project and to continue negotiations aimed at signing a 40-year contract before the end of August 1988. The aim is to start production of 100m cubic feet a day of gas by mid-1993. That would replace 17,000 barrels a day of oil used to fuel electricity and industry plants. Production is to be doubled by the year 2000.

The project will be the biggest in Peru since the development of jungle oilfields and construction of the North Peruvian pipeline in the mid-1970s.

Shell is to put up about half the investment for the project and will also help Petroperu to find financing for the balance, which it hopes to do through the InterAmerican Development Bank and pipeline suppliers.

Mr Jan Vrouwe, Shell's general manager in Peru, said on signing the contract yesterday that it was one of Shell's biggest and that the company expected to follow up the outline agreement until it signed the final contract.

Shell's projected investment includes $410m in developing the gas fields and installing collection and reinjection systems plus treatment plants. It is also to cover one quarter of the cost of a $700m gas and condensate pipeline to run from the jungle over the mountains to the coast and one quarter of the cost of a $150m plant for production of liquefied petroleum gas, gasolene and kerosene.

Shell is to receive a fee for the gas in cash to be guaranteed by production and is also to continue exploring for oil. The company has already spent $200m in its jungle exploration venture over the past six years. This includes 3,4000 kilometres of seismic lines and drilling of 6 wells, the last of which was completed in August 1987.

● Oil prices firmed yesterday, with dated Brent cargoes up 47.5 cents a barrel to $14.475.

Rumours of possible moves to lower production by members of the Organisation of Petroleum Exporting Countries helped to strengthen sentiment. Reports from Tokyo that Abu Dhabi was offering retroactive market-related price cuts to Japanese buyers helped to ease fears about possible offers for discounts on future deliveries, which would further erode prices.

Rebels fail to dampen confidence in Colombian oil

BY SARITA KENDALL IN BOGOTA

COLOMBIA'S OIL industry seems set to become the country's biggest export earner, alongside coffee, in spite of the guerrilla campaigns still being waged against foreign oil companies. In 1987 its receipts doubled to $900m, and further growth appears assured.

Occidental's big discovery at Cano Limon sparked enormous interest in the eastern plains, and a reputation for economic and political stability has helped to build confidence in the country's oil future. Foreign companies consider that Ecopetrol, the state petroleum company, is thoroughly professional, and also open to negotiation. The companies are, on the whole, very taken with Colombia.

Nevertheless there have been more than 100 attacks on oil pipelines, camps, helicopters, personnel and equipment in the last three years, most of them by the National Liberation Army (ELN). At first, the guerrillas seemed to be concentrating on the foreign companies. So when Ecopetrol took responsibility for operating the main oil export pipeline, it was hoped the bombings would tail off. Then, in the first 10 weeks of 1988, the pipeline was attacked more than 20 times.

Foreign oil managers are surprisingly phlegmatic about guerrilla activities. Despite comments, such as "the insecurity is incredible," the attractions of Colombia still count for a lot. It has a strong, varied economy, which grew at 5.3 per cent last year; fairly stable tax legislation (changes benefiting the foreign companies are expected shortly); and competitive contracts. The overriding factor, however, is the belief that there is still plenty of oil to be discovered.

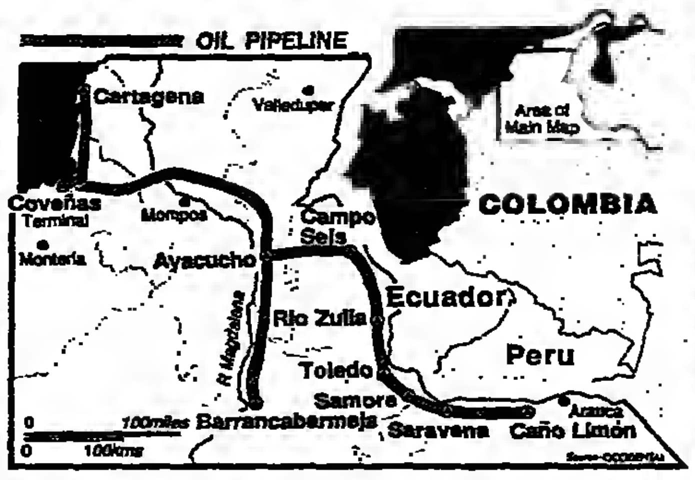
There are some 60 foreign firms working in Colombia, and 23 new contracts were signed last year. Ecopetrol has introduced a shared-risk contract for areas such as the Putumayo, which had been reserved for the state company. Although these blocks are considered safe bets, many companies still prefer the association contract, which may be a greater gamble but pays off with a bigger share of production.

Ecopetrol's development plan aims for long-term oil self-sufficiency through the discovery of 1.5bn barrels of reserves. Incentives must be maintained, or even improved, to encourage foreign companies to contribute some $2bn of the $3.5bn exploration programme over the next 12 years. Contracts already cover nearly every acre of the middle and upper Magdalena Valley, while the more accessible parts of the plains are very popular. In future, Ecopetrol hopes to draw foreign investment to the Amazon, the lower Magdalena and the Pacific coast.

The big question is whether continued violence will discourage foreign companies from raising their commitments in Colombia. None has pulled out yet, though the rash of recent attacks led at least one or two to consider the possibility. Some companies have changed or postponed exploration plans in certain areas because of harassment by guerrillas.

"Civic action" – providing health posts, schools, bridges and services – has become an important component of every oil company's budget. "We wouldn't expect to go into an area and not give service to the community – that's part of the business," said Mr Nick De'ath, BP manager in Colombia.

A BP exploration well in the Llanos was dynamited by the ELN two months ago. Its block lies well south of the Cano Limon pipeline and is the ELN's first victim in the area. It caused particular concern because a new pipeline is being built over the mountains to carry central plains production to the Magdalena Valley.



The Cano Limon pipeline is nearly 500 miles long. Although most of the pipe is buried, there are river crossings, mountain ravines, pumping stations and other vulnerable spots. Critics say the line was built hastily in order to meet deadlines, and that more efficient security is needed. But Major Roberto Fernandez, who runs Sevipetrol, a company providing security service for the oil sector, argues otherwise: "The only way is to convince the people who live along the pipeline to watch over it – that oil is our own natural resource."

A current publicity campaign stresses both ecological damage and nationalist values, while Ecopetrol itself is devoting more attention to community programmes in oil areas. Exporters say the bombings have spilt over 250,000 barrels of crude in the last ten weeks; the black stains have spread over farmland and into meandering rivers, killing fish and birds. The disastrous effect on local subsistence evokes greater response than the economic figures which show that Colombia's share of the take is 83 per cent under the association agreement.

Until the early 1980s the ELN appeared to be on the decline – particularly if compared with the daring urban exploits of other guerrilla groups, like M-19 and the Revolutionary Armed Forces of Colombia (FARC).

The ELN, a Castroite movement which began operating in 1964, has long been associated with guerrilla priests and oil resources in Northern Colombia. Now a former priest from Spain – Manuel Perez – commands the movement, waging war on the oil companies.

Colombians in the oil business blame the foreign companies involved in building the pipeline – especially Mannesmann – for the ELN's current strength. Estimates of kidnap and other ransoms paid to the guerrillas run from $2m to $16m. The ELN is thought to have between 600 and 1,000 combatants, and recent attacks on oil installations in the Magdalena Valley and the Cali area, as well as a car bomb planted outside Occidental's Bogota offices, suggest surprising mobility – or, perhaps, collaboration with other groups working under the ELN banner.

Geological teams out in the field are particularly exposed. "They must keep moving continually," said Mr Enrique Gonzalez of Robertson Research. Robertson's Bogota office – expanded as a result of increased work in Colombia – is littered with maps, backpacks, aluminium poles, and other expedition equipment. It is one of a very few British companies in the oil service sector, and has done regional studies all over the plains and the Amazon region.

Export quota cheating sparks fresh Brazilian coffee scandal

BY JOHN BARHAM IN SAO PAULO

Brazil's coffee industry is once again beset by scandal. Word emerged a week ago that some coffee traders were cheating the export system by grossly over estimating their stocks.

The scandal has exposed the disorganisation, corruption and poor regulation in the industry. As many as 30 export houses and farm co-operatives are suspected of inflating or even inventing non-existent stocks in order to win export quotas from the Brazilian Coffee Institute (IBC). The IBC oversees the industry and regulates exports.

The authorities suspect that stocks at the end of February were inflated by 1.3m bags, equivalent to about 6 per cent of this year's harvest.

The IBC has suspended a dozen companies' export quotas and forbidden them from applying for new ones until May. The National Coffee Quality Council is also considering punishing the companies with a $80 fine one each bag that was over-estimated. A fine that heavy could put some of the smaller companies out of business for good.

The IBC awards companies quotas out of Brazil's export allowance set by the International Coffee Organisation on the basis of their stocks. With Brazil's export allowance this year at 15.4m bags, much less than last year's 35m bag harvest, export quotas are at a premium, and this has created an illicit market.

Having won quotas on inflated stock declarations unscrupulous companies can either buy coffee to honour their export commitments, or sell their ill-gotten quotas to companies which actually have coffee to export.

One company admitted it exaggerated its stocks by 30,000 bags and had to reduce stock figures to 7,000 bags. Another claimed it had stocks of 66,730 bags, although no coffee was found in its warehouse.

IBC quotas change hands for prices that vary between $30 and $40 per bag. Brokers trade them on an informal market, charging the buyer a fee of 50 cents a bag. In recent months, the fee had risen to $2 a bag.

Mr Michael Timm, a coffee trader, said: "This practice has always been common, except that last month the market started getting very funny numbers so the IBC decided to investigate."

If the stock figures were to be believed, the Brazilian harvest last year would have been 25 per cent greater than the 34m bags actually harvested.

The scandal highlights a deep division within the industry, between recently-established exporters and the traditional houses, which blame the former for bringing dishonour on the trade.

The Santos Commercial Association, the big coffee traders group, which is dominated by the traditional companies, expelled the companies caught fiddling their books. Most of the cheats are relatively new firms.

Mr Jair Coser, president of Rio de Janeiro's coffee marketing centre, said: "It is shameful that non-traditional firms and dishonest co-operatives should invalidate the serious work" of the larger and better established companies.

Mr Armando Mellao, president of Mellao Neto, who corrected his stock figures after an IBC check, said: "Far more shameful than rectifying a declaration is using a position one has within certain associations and political strength to favour just a few companies out of a universe of almost 300 companies with structures to export but can't because the system does not permit them."

The industry is heatedly discussing reforms and better controls. The complex and often ineffective controls are necessary because the ICO strictly regulates exporters' access to the world market. Small companies complain that the current system favours the large exporters.

The affair has increased industry demands that the IBC abolish the quota system completely. The bigger exporters want quotas to be auctioned. At present, auctions are only held in the Sao Paulo Commodities Exchange.

The latest scandal has also strengthened the hand of those who want to abolish the IBC altogether and restructure the coffee industry.

Iron ore meeting ends in failure

By William Dullforce in Geneva

IRON ORE producers, looking for better market information to help them plan against the current imbalance between supply and demand, have been disappointed at a one-week meeting here with consumers.

Completion of a draft questionnaire that would expand the statistics available has been postponed until a new meeting in October, 1989 because of reservations by consumers, in particular by the European Commission, about the extent and confidentiality of the information sought.

However, industrial and governmental experts from countries representing 90 per cent of world exports of iron ore and over 75 per cent of world imports have discussed the current market situation at the meeting organised by the United Nations Conference on Trade and Development.

Prices for iron ore fines (powdered ore), the reference for the world market, have fallen by 4.1 per cent in Europe and 4.5 per cent in Japan this year following declines of, respectively, 8 per cent and 5.5 per cent last year.

Significantly, in breach of tradition, for the last two years the first annual price settlement has been in Japan, not in Europe.

The present reference price for Brazilian fines in Europe is 23.5 cents, giving a price per tonne of around $15 a tonne. Brazil was the leading exporter in 1987 with a record level of 96m tonnes, followed by Australia. The two took 48 per cent of world trade.

Fines prices fell last year in spite of a 2.5 per cent increase in world steel output to some 733m tonnes, the highest level this decade.

US crude steel production climbed to 81m tonnes from 74m tonnes in 1986 while EC output at 126m tonnes was only slightly higher.

World iron ore production is estimated to have increased by 1-2 per cent over the 1986 level of 920m tonnes. Consumption is also likely to have increased in 1987, although, according to the Unctad secretariat, the long-term trend is downward.

Consumption of fines has been steadily decreasing, resulting in considerable over-supply on the market. On the other hand, with the restructuring of steel industries towards more cost-effective and pollution-free plants demand for pellets has risen over the past two years.

Sweden's LKAB company secured a 12.6 per cent increase in the price of its pellets for delivery in Europe this year. Brazilian and Canadian producers, handicapped by higher freight rates, obtained rises of, respectively, 9.95 per cent and 7.5 per cent.

LKAB, however, feels that prices are still too low to justify investment in a new pelletising plant.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL PRICES continued to advance strongly on the London Metal Exchange yesterday, with three-month metal adding a further $137.50 to close at $10,812.50 a tonne or $4.90 a lb. At one stage it reached $10,900 a tonne - equivalent to $5.04 a lb - before falling back on profit taking. The sound fundamentals continue to fuel the bull run, analysts said, but there remains effective chart resistance at the $5 a lb level. Aluminium traders were taken by surprise when the Institute of Primary Aluminium reported a rise of 133,000 tonnes in non-Socialist producer stocks for January. The market had been expecting a fall, or perhaps a small rise if a possible seasonal lull in demand in the first quarter was taken into account. The announcement deflated bullish sentiment which took prices near record highs in morning trading. Three-month 99.7 per cent pure metal closed just $7.50 on the day at $2,197.50 a tonne.

SPOT MARKETS

COCOA £/tonne

COFFEE £/tonne

SUGAR $ per tonne

GAS OIL $/tonne

GRAINS £/tonne

LONDON METAL EXCHANGE

POTATOES £/tonne

SOYABEAN MEAL £/tonne

FREIGHT FUTURES $10/index point

FRUIT AND VEGETABLES

LONDON BULLION MARKET

LONDON METAL EXCHANGE TRADED OPTIONS

US MARKETS

EXCEPT FOR SILVER, precious metals were strong on commission house and trade buying, reports Drexel Burnham Lambert. Silver on the other hand moved against the general trend on trade and local selling. There was little activity in cotton with light volume. Platinum ran into some good commission house and trade buying, with the market very well supported, and the overall sentiment bullish. Meats showed signs of weakness, trying to recover from belly movement figures yesterday. Grains showed signs of weakness with lack of new buying and some trade selling. On the softs, cocoa was very quiet showing a little strength on the close, sugar was also very quiet. Coffee was a very choppy market, with a short covering rally by trade house the only activity noted today.

New York

GOLD 100 troy oz.; $/troy oz.

PLATINUM 50 troy oz; $/troy oz.

SILVER 5,000 troy oz; cents/troy oz.

COPPER 25,000 lbs; cents/lbs

SUGAR WORLD "11" 112,000 lbs; cents/lbs

CRUDE OIL (Light) 42,000 US gals $/barrel

HEATING OIL 42,000 US gals, cents/US galls

COCOA 10 tonnes;$/tonnes

COFFEE "C" 37,500lbs; cents/lbs

COTTON 50,000; cents/lbs

ORANGE JUICE 15,000 lbs; cents/lbs

INDICES

REUTERS (Base: September 18 1931 = 100)

DOW JONES (Base: December 31 1974 = 100)

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

SOYABEAN OIL 60,000 lbs; cents/lb

SOYABEAN MEAL 100 tons; $/ton

MAIZE 5,000 bu min; cents/56lb bushel

WHEAT 5,000 bu min; cents/60lb-bushel

LIVE CATTLE 40,000 lbs; cents/lbs

LIVE HOGS 30,000 lb; cents/lbs

PORK BELLIES 38,000 lbs; cents/lb

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling loses momentum

STERLING'S RECENT charge ran out of steam yesterday, following comments by Mr Nigel Lawson, Chancellor of the Exchequer. Speaking in the House of Commons, he stressed that any further rise in the exchange rate, certainly against the D-Mark, was unlikely to be sustainable.

The pound's exchange rate index slipped to 77.1 at the close, down from 77.2 at the opening and on Wednesday night. With *only two full trading days left* before the UK Budget, trading volume is likely to be become a lot thinner and nervous. Short term investors are more likely to square positions and remain on the sidelines, until details of the Budget are known.

However some traders with leading UK banks suggested that yesterday's reversal was just a pause for breath. A shake out in cross currency positions and *Thursday's reputation* of being profit-taking day, were not sufficient reason to herald a basic change in sentiment, they added. Speaking after Mr Lawson, Mrs Margaret Thatcher, the Prime Minister, stressed that the primary objective was to keep inflation down.

Against this background, sterling's bullish undertone appeared to be largely intact, given this strong commitment by the Government to try and contain inflation.

The pound closed at $1.8425 down from $1.8475 and DM3.0675 compared with DM3.0825. It was also lower against the yen at Y236.0 from Y236.50. Elsewhere it slipped to SFr2.5400 from SFr2.5475 and FFr10.4425 from FFr10.4375.

The dollar relinquished early gains to finish with mixed changes. Most investors were unwilling to make any firm decisions before next week's release of US trade figures for January. Before then, today's figures on US retail sales and producer prices may provide some stimulus.

The dollar closed at DM1.6650 *from DM1.6680 and Y128.10* from Y128.0. It was unchanged against the Swiss franc at SFr1.3790 and finished at FFr5.6675 from FFr5.6500. On Bank of England figures, the dollar's exchange rate index closed at 93.6 from 93.5.

Meanwhile the D-Mark improved strongly against the French franc in a move which took most traders by surprise. The Bank of France sold D-Marks *at the fixing in Paris but this* failed to prevent the franc from falling to its lowest level since early December last year.

The D-Mark was fixed at FFr3.3990 in Paris, up from FFr3.3867 on Wednesday. A high of FFr3.4010 was touched just before mid-day. Dealers suggested that investors had been taking advantage of the interest differential between Euro-franc and Euro-marks but that uncertainty ahead of French Presidential elections encouraged a switch back into D-Marks.

There was evidence that fairly large scale selling had started in Tokyo, as institutions decided to move out of higher risk, high yield currencies and into the D-Mark. The absence of large *scale support* from the Bank of France encouraged traders to try and determine how far the franc would be allowed to fall.

Elsewhere the Bank of Italy sold a small amount of D-Marks and US dollars at the Milan fixing, but dealers stressed that trading volume was rather thin.

In Frankurt attention focused on a sharp fall in the French franc, which dragged down the lira and Belgian franc. Both are *usually placed towards the lower* end of the EMS, and the size of the decline revived speculation that some form of realignment after the French Presidential elections in May could be on the cards. The French franc fell to DM29.35 per FFr100 at the close from DM29.52 at the opening.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar.10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2913	+1.96	+0.83	±1.5344
Danish Krone	7.85212	7.92924	+0.98	-0.15	±1.5404
German D-Mark	2.05853	2.06855	+0.49	-0.64	±1.0981
French Franc	6.90403	7.05442	+2.18	+1.05	±1.3674
Dutch Guilder	2.31943	2.32380	+0.19	-0.94	±1.5012
Irish Punt	0.768411	0.775600	+0.94	-0.19	±1.6684
Italian Lira	1483.58	1532.80	+3.32	+2.72	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar.10	Latest	Previous Close
£ Spot	1.8415-1.8425	1.8460-1.8470
1 month	0.32-0.30pm	0.31-0.30pm
3 months	0.97-0.93pm	0.97-0.94pm
12 months	3.53-3.43pm	3.50-3.40pm

Forward premiums and discounts apply to the US dollar.

POUND SPOT- FORWARD AGAINST THE POUND

Mar.10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8375-1.8470	1.8420-1.8430	0.31-0.28cpm	1.92	0.94-0.89pm	1.99
Canada	2.3145-2.3247	2.3150-2.3160	0.06¼-0.04cpm	-0.26	0.40-0.24pm	0.55
Netherlands	3.44¼-3.46¼	3.44¼-3.45¼	1½-1cpm	4.57	4½-3¾pm	4.71
Belgium	64.10-64.52	64.15-64.25	24-6cpm	2.80	56-34pm	2.80
[illegible]						

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

£		$
[illegible]		
Hong Kong	14.3705-14.3675	7.8005-7.8025
Iran	123.60*	66.50*
KoreaSth	1389.25-1401.80	754.10-760.50
Kuwait	0.50600-0.50650	0.27465-0.27475
Luxembourg	64.15-64.25	34.00-34.90
Malaysia	4.7035-4.7155	2.5525-2.5555
Mexico	4187.25-4208.00	2272.00-2282.00
N Zealand	2.7500-2.7550	1.4910-1.4935
Saudi Ar	6.9100-6.9160	3.7505-3.7515
Singapore	3.7070-3.7130	2.0120-2.0140
S Af (Cm)	3.9095-3.9305	2.1180-2.1210
S Af (Fn)	4.9805-5.1190	2.7025-2.7775
Taiwan	52.70-52.95	28.60-28.70
U.A.E.	6.7665-6.7720	3.6725-3.6735

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Mar.10	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										
DM	0.326	0.601	1	76.92	3.403	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.237	7.809	13.00	1000.	44.24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.958	1.765	2.939	226.1	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.394	0.726	1.208	92.91	4.110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.290	0.535	0.890	68.45	3.028	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.439	0.809	1.346	103.6	4.581	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.432	0.796	1.325	101.9	4.508	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.558	2.871	4.779	367.6	16.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts suffer profit taking

LONG TERM gilt futures traded in a narrow range on Liffe yesterday, but finished towards the day's low on profit taking. Trading was unevantful, and is unlikely to find any fresh impetus ahead of next week's Budget.

Comments by the Prime Minister and Chancellor in Parliament stressed the Government's anti-inflation policy, and were regarded as good for gilts, but dealers *also mentioned that the* views of Mrs Thatcher and Mr Lawson on the immediate future *of sterling appear to be contradictory.*

Mrs Thatcher has recently suggested that interest rates and excessive Bank of England intervention will not be used to stop the pound rising, while Mr Lawson said yesterday that any further *significant rise in sterling* is unlikely to be sustainable.

It was suggested that the Chancellor is trying to talk the pound down, *to give himself more room* in the Budget, but that this does not appear to square with the *Prime Minister's view* of the situation. It was also pointed out that the Bank of England is maintaining a discreet silence at present.

Long gilts for June delivery opened unchanged at 122-21 on Liffe, and fell to a low of 122-04, which was just one tick lower than Wednesday's low. It closed at 122-08, compared with 122-21 on Tuesday, as traders were tempted to take profits ahead of the Budget. This was encouraged by sterling's setback against the D-Mark, following Mr Lawson's remarks.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
104	—	46	—	636
106	—	—	—	—
108	—	—	—	—
110	1217	—	1	—
112	1020	—	4	—
114	826	—	10	—
116	638	—	22	—

Estimated volume total, Calls 2517 Puts 1301
Previous day's open int. Calls 26612 Puts 17139

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
84	803	738	17	52
86	620	606	34	120
88	449	448	63	162
90	318	339	132	253
92	201	235	215	349
94	109	151	323	501
96	40	115	454	629

Estimated volume total, Calls 60 Puts 5
Previous day's open int. Calls 781 Puts 658

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
17000	1370	1654	20	104
17500	922	1253	72	203
18000	549	907	199	357
18500	281	626	431	576
19000	121	410	771	860
19500	43	254	1193	1204
20000	13	—	1663	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 33 Puts 97

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

MONEY MARKETS

A firmer tone

THERE WAS a sligbtly firmer tone to interest rates on the London money market yesterday, as dealers took a defensive view, ahead of next week's Budget. Three-month interbank rose to 9-8⅞ p.c. from 8$\frac{15}{16}$-8$\frac{13}{16}$ p.c.

The market was generally confused about the attitude of the authorities to sterling, after the recent comments by the Prime Minister and yesterday's remarks by Mr Nigel Lawson, the Chancellor.

A dealer at a major discount house said, it is a matter of if in doubt do nothing. Next week will provide guidance from the Budget and several UK statistics, including money snpply and bank lending figures for February on Friday.

Credit conditions remained very comfortable in London. The Bank of England initially forecast a money market shortage of £100m, but this was revised to a flat credit position at noon.

The authorities did not operate in the market before lunch, or in the afternoon.

Overnight interbank traded around 8½ p.c. in the morning, but fell to 1 p.c. as money became freely available, before closing at 6 p.c.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £256m, with a rise in the note circulation absorbing £60m. These outweighed Exchequer transactions adding £170m to liquidity, and bank balances above target of £45m.

In Frankfurt call money eased to 3.25 p.c. from 3.30 p.c. with banks well supplied with liquidity, after the Bundesbank's injection of a net DM1.6bn at this week's securities repurchase agreement tender. The central bank provided funds in excess of an earlier expiring agreement, in order to help the market through an approaching tight period

In Paris the Bank of France left its money market intervention rate at 7¼ p.c. as the franc came under a little pressure against the D-Mark within the EMS, and required some official support at the Paris fixing. At yesterday's securities repurchase tender the central bank allocated a total of FFr53.4bn against first category paper. This compared with FFr46.1bn leaving the market, as an earlier pact expired.

In New York the Federal Reserve added temporary reserves to the banking system, via $1.5bn of customer repurchase agreements, when Federal funds were trading at 6$\frac{11}{16}$ p.c., compared with an average of 6.59 p.c. on Wednesday.

UK clearing bank base lending rate
9 per cent
from February 2

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FT 30	FTSE 100	WALL STREET
Mar. 1467/1479 +5	Mar. 1831/1843 +11	Mar. 2062/2076 -5
Jun. 1483/1495 +4	Jun. 1851/1863 +9	Jun. 2074/2088 -5

Prices taken at 5pm and change is from previous close at 9pm

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT.,LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, March 9, 1988. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.23923 SDR1=$US1.37185
As of March 9 at 11.00a.m.

	3 months	6 months
Eurodollar Libor:	6⅞	7
Sibor:	6⅞	7

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani	50.60(o)	Greenland	Danish Krone	6.3863	Pakistan	Pakistan Rupee	17.5939
Albania	Lek	5.5041	Grenada	E. Caribbean $	2.70	Panama	Balboa	1.00
Algeria	Dinar	5.208	Guadaloupe	Local Franc	5.659	Papua New Guinea	Kina	0.8881
Andorra	French Franc	5.659	Guam	U.S. $	1.00			
	Spanish Peseta	112.07	Guatemala	Quetzal	1.00(o) / 2.55(h,f)	Paraguay	Guarani	320.00(o) / 550.00(p) / 875.00(d)
Angola	Kwanza	29.918						
Antigua	E. Caribbean$	2.70	Guinea	French Franc (j)	440.00 / 300.00			
Argentina	Austral	4.745						
Aruba	Florin	1.79	Guinea-Bissau	Peso	650.00	Peru	Inti (o,n,4) / Inti (f)	33.00 / [illegible]
Australia	Australian$	1.3702	[illegible]	Dollar	10.00			
[illegible]								

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug 88 Vol	Aug 88 Last	Nov 88 Vol	Nov 88 Last	Stock
GOLD C	$440	79	17.80	1	28 B	-	-	$442.50
GOLD C	$460	133	8.10	14	18	-	-	$442.50
GOLD C	$480	133	4.20	-	-	-	-	$442.50
GOLD C	$540	-	-	50	2	-	-	$442.50
GOLD P	$400	-	-	20	5.50 A	1	8 A	$442.50
GOLD P	$420	45	5.10	34	8	1	10.50	$442.50
GOLD P	$440	-	-	25	14.70	-	-	$442.50
GOLD P	$460	42	19.50	50	24	-	-	$442.50

Series		Mch. 88 Vol	Mch. 88 Last	Apr 88 Vol	Apr 88 Last	May 88 Vol	May 88 Last	Stock
EOE Index C	Fl. 180	58	25	-	-	-	-	Fl. 205.18
EOE Index C	Fl. 185	25	20.20 B	40	21.50	22	21	Fl. 205.10
EOE Index C	Fl. 190	14	15.50	22	16.50	-	-	Fl. 205.10
EOE Index C	Fl. 195	169	11 B	80	13.50	33	14.50	Fl. 205.18
EOE Index C	Fl. 200	100	7	13	10	297	11.30	Fl. 205.18
EOE Index C	Fl. 205	164	3.60	136	7.50	65	9	Fl. 205.18
EOE Index P	Fl. 185	10	0.30	82	2	23	3.50	Fl. 205.18
EOE Index P	Fl. 190	1	0.50	87	2.50	2	5.50	Fl. 205.18
EOE Index P	Fl. 195	48	0.80	177	4.70	9	7.20	Fl. 205.18
EOE Index P	Fl. 200	268	1.90	39	6.80	15	9.50	Fl. 205.10
EOE Index P	Fl. 205	14	3.70	51	8.30	63	12	Fl. 205.18
£/Fl C	Fl. 345	-	-	10	2.50 A	-	-	Fl. 344.92
£/Fl P	Fl. 345	-	-	19	3.70	-	-	Fl. 344.92
$/Fl C	Fl. 185	52	2.70	-	-	-	-	Fl. 187.10
$/Fl C	Fl. 190	11	0.60	6	1.70 A	-	-	Fl. 187.10
$/Fl P	Fl. 185	288	0.80	15	2	-	-	Fl. 187.10
$/Fl P	Fl. 190	37	3.50	2	4.70 B	-	-	Fl. 187.10
$/Fl P	Fl. 195	17	8	-	-	-	-	Fl. 187.10

Series		Apr. 88 Vol	Apr. 88 Last	Jul. 88 Vol	Jul. 88 Last	Oct. 88 Vol	Oct. 88 Last	Stock
ABN C	Fl. 40	547	1.90	152	2.70	122	3.20	Fl. 41.20
ABN P	Fl. 40	30	1	18	2.50	79	4.10	Fl. 41.20
AEGON C	Fl. 70	142	4.50	11	5.20	10	6	Fl. 73
AEGON P	Fl. 70	-	-	130	3.80	10	4.80	Fl. 73
AHOLD C	Fl. 75	56	4	15	5.80	-	-	Fl. 76.40
AHOLD P	Fl. 75	50	2.20	10	4	-	-	Fl. 76.40
AKZO C	Fl. 110	311	2.50	324	4.80 B	28	7.30	Fl. 104.70
AKZO P	Fl. 110	8	7.50	150	13.80	10	14.50	Fl. 104.70
AMEV C	Fl. 60	1370	1.10	295	2	-	-	Fl. 52.70
AMEV P	Fl. 50	381	1.60	33	3.30	11	4.50	Fl. 52.70
AMRO C	Fl. 65	357	3.10	43	3.80	30	4.20	Fl. 66.50
AMRO P	Fl. 65	9	1	49	3.70	2	5.20	Fl. 66.50
ELSEVIER C	Fl. 50	278	2.30	113	3.70	1	4.50	Fl. 50.70
ELSEVIER P	Fl. 55	41	5	5	6.30	-	-	Fl. 50.70
GIST-BROC. C	Fl. 30	808	4.40	422	5.10	44	6	Fl. 33.50
GIST-BROC. P	Fl. 27.50	129	0.30	13	1	2	2	Fl. 33.50
HEINEKEN C	Fl. 130	62	4	7	7.50 A	-	-	Fl. 128.50
HOOGOVENS C	Fl. 30	183	4.90	26	6.20	2	7	Fl. 34.30
HOOGOVENS P	Fl. 35	12	2.20	-	-	-	-	Fl. 34.30
KLM C	Fl. 35	227	1.30	139	3	71	3.30	Fl. 34.70
KLM P	Fl. 35	58	1.50	58	2.70	104	4	Fl. 34.70
NEDLLOYD C	Fl. 210	64	4.50	9	11	-	-	Fl. 199.50
NEDLLOYD P	Fl. 130	2	2	25	7.50	-	-	Fl. 199.50
NAT NED C	Fl. 65	2	0.70	131	1.10 &	14	2	Fl. 58.10
NAT.NED. P	Fl. 60	-	-	50	5.20	-	-	Fl. 58.10
PHILIPS C	Fl. 30	1526	1	676	1.60	131	2.20	Fl. 29.50
PHILIPS P	Fl. 30	140	2.40	77	3.10	136	3.70	Fl. 29.50
ROYAL DUTCH C	Fl. 230	329	1	461	2.90	5	4.60	Fl. 217.50
ROYAL DUTCH P	Fl. 190	3	0.40	-	-	80	5	Fl. 217.50
ROBECO C	Fl. 95	14	1	2	1.70	1	4.50	Fl. 90.90
UNILEVER C	Fl. 120	190	2.20	83	5	7	7.10	Fl. 115.90
UNILEVER P	Fl. 130	50	14.50	2	18.50	-	-	Fl. 115.90

TOTAL VOLUME IN CONTRACTS : 31,928

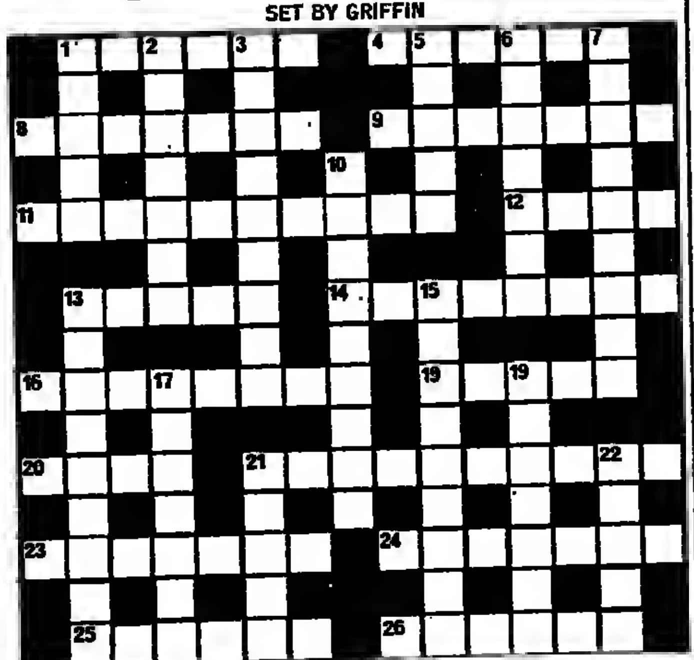
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	Citibank NA	9	Nat. Bk. of Kuwait	9
Adam & Company	9	City Merchants Bank	9	NatWestminster	9
AAB - Allied Arab Bk	9	Clydesdale Bank	9	Northern Bank Ltd	9
Allied Irish Bank	9	Comm. Bk. N. East	9	Norwich Gen. Trust	9
American Exp. Bk	9	Consolidated Crd	9	PK Finans. Intl(UK)	9½
Henry Ansbacher	9	Co-operative Bank	*9	Provincial Bank PLC	10
ANZ Banking Group	9	Cyprus Popular Bk	9	R. Raphael & Sons	9
Associates Cap Corp	10	Dunbar Bank PLC	9	Roxburghe G'rantee	10
Authority Bank	9	Duncan Lawrie	9	Royal Bk of Scotland	9
B & C Merchant Bank	9	Equatorial Bank plc	9	Royal Trust Bank	9
Banco de Bilbao	9	Exeter Trust Ltd	9½	Smith & Williman Secs.	9
Bank Hapoalim	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	9½	TSB	9
Bank Credit & Comm	9	● Robert Fleming & Co.	9	UDT Mortgage Exp	§10.2
Bank of Cyprus	9	Robert Fraser & Ptrs.	10	United Bk of Kuwait	9
Bank of Ireland	9	Girobank	9	United Mizrahi Bank	9
Bank of India	9	Grindlays Bank	9	Unity Trust Bank Plc	9
Bank of Scotland	9	● Guinness Mahon	9	Western Trust	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Westpac Bank Corp.	9
Barclays Bank	9	● Hambros Bank	9	Whiteaway Laidlaw	9½
Benchmark Bank PLC	9	Heritable & Gen Inv Bk	9	Yorkshire Bank	9
Berliner Bank AG	9	● Hill Samuel	§9		
Brit. Bk of Mid East	9	C. Hoare & Co.	9		
● Brown Shipley	9	Hongkong & Shangh	9		
Business Mtge Tst.	9	Lloyds Bank	9		
CL Bank Nederland	9	Meghraj Bank Ltd	9		
Central Capital	9	Midland Bank	9		
● Charterhouse Bank	9	● Morgan Grenfell	9		
		Mount Banking Corp.	9		

● Members of the Accepting Houses Committee. * 7 day deposits 4.00% Savewise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. § Mortgage base rate. § Demand deposit 4.00%. Mortgage 9.625% - 10%

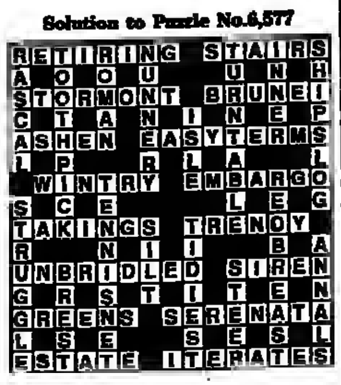
FT CROSSWORD No.6,578
SET BY GRIFFIN



ACROSS
1 Reach time of departure having had no food? (6)
4 Loses concentration and stops embracing redhead (6)
8 Relationship with parrot flying round piano? (7)
9 Around midnight pass one German city (7)
11 Doctor meant to mix remedy (10)
12 Modified the article in hot weather (4)
13 Priest takes measure of fragrant resin (5)
14 Picture of harbour Rita recollects (8)
16 Tyrannise energetic person outside pit (8)
18 With Germany's approval, criticise lacquer (5)
20 Animal makes hole in Cornish flower (4)
21 Is Jerusalem army bothered about church worker? (10)
23 Distracts underwater worker on the way back (7)
24 Notice Moira has no love left for sailor (7)
25 Lets us sort out fight (6)
26 Check gunners have returned the others (6)

DOWN
1 Urbane American returns greeting (5)
2 Inform when paper is distributed (7)
3 Raves about hat having many uses (9)
5 Unattractive female tutor, peripatetic (5)
6 A girl's not in for a second (7)
7 Feeling your boy is neat, move in (9)
10 Relief worker to lock siren (9)
13 Financial specialist comes into building (9)
15 Having erred badly enter in answer (9)
17 Disease is Len's trouble when about 50 (7)
19 Thoughtful dear, without getting lost (7)
21 Courage to tame wild lion, initially (5)
22 Respond and race round with tin-opener (5)

Solution to Puzzle No.6,577



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6903/4/5

Scimitar Global Gth Ac	28.7	30.6	-0.5	–
Do. Income	28.5	30.4	+0.5	0.19
Scimitar European Acc	21.1	22.5	-0.2	–
Do. Income	21.1	22.5	+0.2	0.11
Scimitar UK Eq Inc Acc	36.5	38.5	–	–
Do. Income	34.2	36.0	–	5.38
UK Cap Gth Acc	24.8	26.2	+0.1	0.75
Scimitar Fix Basis Acc	29.7	31.6	-0.1	–
Scimitar Mngd Exempt	141.4	147.3	-0.5	–

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1051

Intnl Income Units	128.6	137.0	–	3.32
Intnl Accum Units	197.4	210.0	–	3.32
UK General Acc	38.6	41.3	–	3.38
UK General Inc	37.1	39.7	-0.1	3.38
American	27.8	29.7	–	2.15
European	34.6	37.0	–	1.86
Japan	55.9	59.8	-0.2	0.03
Technology	35.6	38.1	–	2.29
Performance Trusts				
Far East Perf Tst	18.4	19.7	+0.1	2.00
High Inc Perf Tst Inc	24.2	25.9	-0.1	5.36
High Inc Perf Tst Acc	24.7	26.4	-0.1	5.36
Worldwide Tect Perf Tst	28.4	30.4	–	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	211.5	226.3	–	2.6
Columbus (US)	131.3	140.5	+0.6	1.3
Marco Polo (Pac)	212.2	227.0	+0.2	0.22
Da Vinci (Eur)	223.4	239.0	+1.1	1.54
Drake (Ww)	52.9	56.6	+0.2	2.61

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	205.5	218.7	+0.2	2.67
UK Smllr Cos. Equity	211.6	225.2	+0.5	1.90
UK Special Situations	61.3	65.3	-0.1	2.92
Income Plus	52.6	56.0	–	5.46
European	161.2	171.5	-0.9	1.49
Far Eastern	32.2	35.6	–	2.09
Japanese	53.8	57.3	+0.1	–
North American	113.8	121.1	-0.4	1.33
International Growth	108.1	115.0	-0.3	1.18

[illegible]

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-686 4355

TUUT Mar 1	212.5	223.7	–	3.22

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	147.4	158.6	-0.4	1.56

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3999

Convertible & General	59.0	62.5	-0.1	6.37
Accum Units	60.6	64.3	-0.1	–
Income	80.6	85.4	-0.1	4.39
Accum Units	80.4	85.6	+0.1	–
Smaller Co's	84.1	89.1	–	1.82
Accum Units	85.0	90.1	+0.1	–
UK Growth	86.2	91.4	-0.3	2.27
Accum Units	87.4	92.6	-0.3	–
Pacific Gold Tst Acc	47.6	50.5	–	–

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40053

British Growth Fd	60.0	63.9	+0.3	1.67
Technical Analysis Fd	51.3	54.6	–	3.35

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	180.5	192.0	–	1.58
Friars Hse Inc Fd	152.7	160.7	–	5.40

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC 01-534 5544

United Charities	172.1	183.5	-0.2	4.57

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Glentrust	183.5	195.2	–	1.42
(Accum Units)	187.1	199.0	–	–
Far East & Gen	53.9	57.3	–	–
(Accum Units)	53.9	57.3	–	–
Master Portfolio	66.357	68.284	+0.307	2.99
(Accum Units)	68.401	70.155	+0.315	–
American & Gen	56.1	59.7	+0.2	1.89
(Accum Units)	56.8	60.4	-0.2	–
Growth	212.3	225.9	+0.7	1.06
(Accum Units)	320.2	340.6	+0.7	–

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Radcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	380.7	400.9	—	—
Eb'r Ph. Eq.	316.8	337.6	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	165.8	174.5	+0.1	—
International Acc.	127.0	133.6	+0.1	—
Property Acc.	125.5	132.1	—	—
Fixed Interest Acc.	155.7	163.0	+0.1	—
Money Acc.	136.9	144.1	—	—
Bldg. Soc. Link Acc.	134.0	141.0	—	—
Special Mngd. Acc.§	146.9	154.6	—	—
Phoenix/Framlington				
Intnl. Growth Acc.	88.6	93.2	+0.2	—
Amer. & Gen. Acc.	82.4	86.7	+0.4	—
Capital Trt. Acc.	175.3	184.5	+0.8	—
Japan & Gen Acc.	176.5	185.7	+0.6	—
American Turn. Acc.	84.2	88.6	+0.5	—
Recovery Tst. Acc.	172.5	181.5	+0.7	—
Special Mngd Acc.	143.4	150.9	+0.4	—
Phoenix/GT				
International Acc.	121.9	128.3	+0.2	—
US & General Acc.	91.0	95.7	+0.2	—
Amer Spec Sits Acc.	66.0	69.4	—	—
Japan & General Acc.	173.6	182.7	+0.5	—
Far East, & Gen. Acc.	136.9	144.1	+1.0	—
UK Capital Acc.	171.4	180.9	+0.4	—
European Acc.	133.2	140.2	+0.6	—
Special Mngt. Acc.	125.0	131.5	+0.2	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	266.0	280.1	—	—
Non Pens Inc & Cap Fds.	340.1	358.1	—	—
Money Fund	111.5	117.4	—	—
Pens. Mngd Fd (Init)	85.3	89.8	—	—
Pens Mngd Fd (Acc)	96.0	101.1	—	—
Pens FT30 Fd (Init)	129.6	136.5	—	—
Pens FT30 Fd (Acc)	145.8	153.5	—	—
Pens O'seas MgFd(Init)	56.7	59.7	—	—
Pens O'seas MgFd(Acc)	63.8	67.2	—	—
Pens Fxd Int Fd (Init)	105.2	110.8	—	—
Pens Fxd Int Fd (Acc)	110.4	124.7	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Portfoli
Managed Mar 9 | 197.9 | 206.2 | +1.3 | —

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	437.0	460.1	+0.1	—
Equity Fd.	892.1	939.1	+0.9	—
Intnl. Fd.	303.6	319.6	(z)	—
Fixed Int. Fd.	367.3	386.7	—	—
Prop. Fd.	306.1	322.3	—	—
Cash Fd	234.6	247.0	—	—
Pacific Basin Fd.	166.7	175.7	+0.3	—
North American Fd.	126.5	133.2	+0.7	—
European Fd.	130.2	137.1	(z)	—
Holborn Balanced Gwth Fd.	99.9	105.2	(z)	—
Holborn Strategic Gwth Fd.	98.3	103.5	(z)	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	467.4	492.0	+0.2	—
Equity	668.7	703.9	+0.1	—
Global Equity	193.8	204.0	+0.5	—
Fixed Interest	375.5	395.3	—	—
Property	307.2	323.4	+0.1	—
Cash	138.1	145.4	+0.1	—
Index Linked Gilt	163.2	171.8	+0.1	—
Guaranteed	8.96		—	—
International Money	182.4	192.1	+0.6	—
North American Fd	56.5	59.5	-1.3	—
Japanese Fund	119.9	126.3	+0.2	—
European Fund	69.5	73.2	+0.3	—
Special Situations Fd.	96.9	102.0	+0.4	—
Communications Fund	81.0	85.3	+0.3	—
Smaller Cos Fund	99.3	104.6	+0.2	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Mar 9	£123.98	127.53	+0.69	—
Equity Fund Mar 9	£134.18	138.22	+2.71	—
Intntl Fund Mar 9	£20.96	21.04	-0.81	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987/88 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102¼	99[illegible]	Exch 10½pc '88	100¼	.....	10.47	8.74
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	100[illegible]	[illegible]	9.74	8.88
98[illegible]	93[illegible]	Transport 3pc '78-88	98[illegible]	.....	3.04	6.82
101[illegible]	98[illegible]	Treas. 9½pc '88	100¼	.....	9.48	9.00
105[illegible]	101[illegible]	Treas 11½pc 1989	102¼	[illegible]	11.26	9.04
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	100[illegible]	.....	9.46	9.05
96[illegible]	89¼	Treas 3pc 1989	96[illegible]	[illegible]	3.12	6.41
104½	99[illegible]	Treas 10½pc 1989	102[illegible]	[illegible]	10.34	9.10
105[illegible]	98[illegible]	Exch 10pc 1989	101[illegible]	[illegible]	9.89	9.12
105[illegible]	100[illegible]	Exch 11pc 1989	102[illegible]	[illegible]	10.71	9.09
96[illegible]	89[illegible]	Treas 5pc 1986-89	96[illegible]	[illegible]	5.20	7.52
108[illegible]	99[illegible]	Exch 10¼pc Cv '89	103[illegible]	.....	9.88	7.80
111[illegible]	104[illegible]	Treas 13pc 1990‡‡	106½	[illegible]	12.20	9.05
106½	103[illegible]	Exch 11pc 1990‡‡	103[illegible]	[illegible]	10.66	9.13
110[illegible]	103[illegible]	Exch. 12½pc 1990	106[illegible]	[illegible]	11.79	9.16
92[illegible]	84½	Treas. 3pc 1990	92[illegible]	[illegible]	3.25	6.86
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	98[illegible]	.....	8.35	8.84
101[illegible]	98	Treas. 8pc Cv 1990	101¼	[illegible]	7.90	7.40
105	97½	Treas. 10pcCv 1990	101[illegible]	[illegible]	9.82	9.17
91[illegible]	81[illegible]	Exch [illegible]pc 1990	89[illegible]	[illegible]	2.78	6.65
110½	102[illegible]	Treas 11¾pc 1991	106[illegible]	[illegible]	11.05	9.15
95[illegible]	87¼	Funding 5¾pc '87-91‡‡	93[illegible]	.....	6.12	8.02
90[illegible]	80¼	Treas. 3pc 1991	88[illegible]	[illegible]	3.38	6.99
110½	98½	Treas 10pc Cv '91‡‡	104[illegible]	[illegible]	9.57	8.42
109½	101[illegible]	Exch. 11pc 1991	105[illegible]	[illegible]	10.43	9.17
99	91[illegible]	Treas. 8pc 1991	96½	[illegible]	8.29	9.11
116[illegible]	107[illegible]	Treas 12¾pc 1992‡‡	111[illegible]	[illegible]	11.44	9.15
106[illegible]	97[illegible]	Treas 10pc 1992	102[illegible]	[illegible]	9.73	9.15
99[illegible]	90[illegible]	Treas. 8pc 1992‡‡	96[illegible]	[illegible]	8.30	9.09
108[illegible]	99½	Treas 10½pc Cv 1992‡‡	104½	[illegible]	10.05	9.17
86[illegible]	79[illegible]	Treas. 3pc 1992	84[illegible]	[illegible]	3.53	7.13
115[illegible]	105[illegible]	Exch. 12¼pc '92	110[illegible]	[illegible]	11.05	9.21
121[illegible]	110[illegible]	Exch 13½pc 1992	115[illegible]	[illegible]	11.70	9.24

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
44 9/16	21 5/8	Sun Co. Inc. $1	98 1/4 xd	+2	$3.00	–	3.4
42 1/4	22 1/2	TRW Inc 62 1/2c	27 7/8 xd	+1/4	$1.60	–	3.2
37 1/8	21	Texaco $5	23 1/4 xd	......	$3.04	–	7.2
220	149 1/2	Do. 10pcLn.Stk. 93-5	155	......	10%	–	14.7
29 5/8	15 7/8	Texaco $6 25	25	+1/8	$3.00	–	6.6
74 3/4	36 3/4	Time Inc. $1	49 3/4	+1/4	$1.00	–	1.1
30 1/4	15	Transamerica $1	19 1/8	–1/4	$1.64	–	5.3
14 1/4	1 1/4	Transworld Corp $5	914p	+23	20c	–	1.1
27 1/4	12 1/4	TRINOVA Corp	18 1/8	–1/4	56c	–	1.7
24 7/16	12 5/8	USX $1	18 3/4	......	$1.20	–	3.6
37 7/8	16 1/4	Utd Technologies	21 1/2	–1/4	$1.40	–	3.6
38 5/8	25 7/8	US West	29 1/4	–1/2	$3.28	–	6.1
30 1/2	17 1/4	Waste Management $1	19 1/4	......	36c	–	1.0
31 1/4	11 1/2	Whirlpool $1	13 3/4	–1/4	–	–	–
37 1/4	16 1/2	Woolworth $3 1/2	24 7/8	+1/2	$1.52	–	2.9

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Contd

1987/88 High	Low	Stock	Price	+ or —	Div Net	C'vr	Y'ld Gr's	P/E
612	303	Sturge Hldgs 20p	433	-1	8.5	2.4	2.7	21.6
£12¾	645	Sun Alliance	931	+1	123.5	—	3.5	—
£13	865	Sun Life 5p	£10½	.....	128.5	—	3.7	—
£69½	£36¼	♥Taisho M EDR	£49⅞	-2½	♦Q10%	—	8.9	—
£22¾	£12½	Torchmark $1.00	£16½	-¼	Q$1.00	—	3.3	—
410	235	Trade Indemnity	365	.....	14.3	—	1.6	—
£34	£27¾	Travelers $1.25	£29	-⅛	$2.40	—	6.6	—
£30¼	£15¼	USF & G Corp $2.50	£18¾	-¼	Q$2.64	—	0.0	—
£33¾	£15½	USLIFE Corp. $1.0	£20⅞	.....	Q$1.28	3.2	3.4	9.1
738	495	♦Utd Friendly B 10p	495	.....	21.0	—	5.8	—
464	192	Willis Faber 12½p	218	+1	†10.75	2.4	6.8	8.3
126	41	Windsor Secs. 10p	63	+2	0.8	♦	1.7	♦

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 22	Mar 3	Mar 4	Mar 14
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apl 7	Apl 8	Apl 18

*New time dealings may take place from 9.00 am two business days earlier.

Strong advance in equities led by heavy trading in BP but Gilt-edged quiet

SIGNS OF a slackening of upward pressures on sterling touched off a strong rise in the UK equity market yesterday afternoon. Turnover increased sharply towards the close as the international stocks moved up after Mrs Margaret Thatcher, the UK Prime Minister and Mr Nigel Lawson, UK Chancellor, had commented in Parliament on sterling and interest rate policies.

Government bonds, however, turned lower after the Chancellor had said that a further rise in the sterling/DM rate might not be sustainable.

The outlook for the pound was beginning to worry both the City and also the Confederation of British Industries. Equities opened lower as sterling at first edged above its overnight rate against the German mark. But prices rallied and moved higher as the sterling rate slipped back again, and then gathered pace as the session progressed.

At the close, the FT-SE 100 Index was 19.3 points up at 1834.6, virtually the top of the day. However, a more significant indication of the market's strength came from the Seaq turnover figure of 581.8m shares, close behind the 618.4m record for the year, chalked up last Thursday.

The soothing of worries about the pound's latest advance put the equity market back on track for a favourable Budget Speech on Tuesday. Excellent trading results from Ladbroke, the leisure group which owns the Hilton Hotel chain, from TI and then from Rover, the car group attracting the interest of British Aerospace, all helped to keep the market buoyant.

But the strongest charge of excitement came from a yet greater burst of demand for British Petroleum, with the Kuwait Investment Office (KIO) following on the heels of the US and British investors who have been active earlier this week.

Other oil stocks also blazed higher as a rise in crude oil futures in New York encouraged the re-rating of oil reserves.

Also playing a leading role in the advance were the pharmaceutical stocks, which feature in most international stock portfolios. Glaxo continued to forge ahead as the market turned increasingly optimistic ahead of the interim trading figures due next week. Fisons attracted buying from Japanese and UK trading houses. Beecham held steady as the market awaited today's edition of The Lancet, which is expected to bring good reports on Eminase, the group's heart drug.

Turnover in Gilt-edged securities was, by comparison with equities, no more than moderate. The sector looked firm in the first half of the session, but prices crumbled away at the close as analysts scanned the newstapes for details of the comments from the Prime Minister and the Chancellor. The latter's suggestion that sterling might not sustain a further advance against the DM found a ready reception in the bond market.

Short-dated Gilts eased very slightly, shedding only about 1/16. At the longer end, however, losses ranged to ⅜. Selling was light but some analysts perceived the official reminder that "the paramount object is to keep inflation down" as another indication that domestic interest rates will not be lowered, although the view clearly had little affect in yesterday's bond market.

Index-linked Gilts flicked higher, adding about 3/16. However, the gains reflected the action of a single buyer, and were not regarded as a significant sign of inflation concerns.

The attention of the Gilt-edged market remains focussed on the chances of an official tap stock announcement this afternoon.

British Petroleum shares – in partly – paid and fully paid form – were the day's outstanding performers as the heavy demand earlier in the week was easily surpassed by a huge buying programme which saw 47m of the "old" fully – paid and 74m of the "new" partly – paid change hands. The "old" jumped 18 to 277p and the "new" 10 to 83p, after 84p.

Kleinwort Grieveson, the major supporter of BP stock over the past two weeks, were said to have carried out the lion's share of yesterday's buying although strong demand was evident from at least two other UK securities houses. Dealers reported a fresh wave of US – sourced interest but were increasingly of the view that the weight of money pouring into the stock could only have come from an institution such as the Kuwait Investment Office whose last recorded stake was around 19.53 per cent. "It looks as if they are going to 29.9 per cent and pretty quickly at that" one trader said.

The rest of the oil sector was set alight by BP's performance, as well as the sharp rally in crude oil prices whichy were around 60 cents a barrel higher yesterday. Shell jumped ¼ to £10 3/16, British Gas 5 to 142p on turnover of 10m, Enterprise 14 to 342p on turnover of 2.7m and LASMO 15 to 327p.

Scottish & Newcastle went on the rampage again, surging 29 to a 1987/88 high of 293p, and the market became convinced that Mr John Elliot's Elders IXL has increased its shareholding of 2 per cent. Elder's resident director in the UK was unavailable yesterday but marketmakers believe a further stake of 1¼ per cent or more has been bought recently.

Most certainty the sharp expansion in activity this week, over 20m shares representing some 6¼ per cent of S & N's equity have passed through the system, suggests some form of concerted action. And traders currently think Elders is the buyer rather than Sir Ron Brierley, the other down-under shareholder.

Fisons attracted early support and firmed 5 to 270p on a turnover of 3.8m, after news filtered through to London that a move to amend the US Orphan Drug Act in the US Congress had been dropped. This leaves the way open for profitable marketing in the US of Pentamadine, Fisons anti-pneumonia drug, which is seen as an expected moneyspinner for the group.

Buying of Fisons was led by Robert Fleming Securities and by Nomura Securities.

Boots, the pharmaceutical and consumer products group, gained 6 to 233p on a turnover of some 5.8m shares following a recommendation from Kleinwort Grieveson; Mr. Ian White, head of the pharmaceutical team at Kleinwort, has great hopes for the company's heart drug flosequinan and thinks that potential sales could top $400m.

The British Medical Journal is expected to publish its findings on the drug within the next few weeks.

British Aerospace shares sprang into the limelight after Rover Group, which Aerospace plans to acquire from the British Government, disclosed its first operating profit for five years - "up to the most optimistic hopes", according to Chase Manhattan. At 385p, after 389p, Aerospace added 10 on turnover of 6.6m shares, while Rover eased 4 to 85p.

Rover's trading profit of £45m in the second half of '87, indicates annualised earnings of about £100m available to Aerospace if the deal is made net of Rover's debt. Moreover, City analysts believe that the Aerospace chiefs, currently in Tokyo, are about to disclose a £1bn order for 50 BAe 146 aircraft to the Japanese commuter airlines.

Standard Chartered suffered another mauling as word that one of the leading securities houses was increasing its forecast of the bank's loss for the year prompted a flurry of selling pressure.

This lowered Standard's share price to 445p at one point before a rally left a close of 8 down at 455p. Dealers and analysts remain extremely cautious of the stock after widespread forecasts of a major rights issue and of a possible dividend cut when the preliminary figures are announced.

Enthusiasm for Scottish & Newcastle spilled over to leading Brewery issues, although volume generally remained moderate. Guinness, which is forming a joint marketing venture in West Germany with Charles Hosie, a member of the Bacardi group, rose 7 to 316p while Whitbread "A" gained a similar amount to 306p. Allied-Lyons went better late to close 7 higher at 375p but turnover was only 1.3m shares.

Interest in the Building issues remained highly selective. Steetley responded to a BZW recommendation with a gain of 5 at 330p but Taylor Woodrow encountered profit-taking and shed 7 to 423p.

ICI reversed an initial decline following a lunch with Kleinwort Grieveson, which resulted in a positive outcome, to close ⅛ higher on balance at £10⅝; Kleinwort expect further expansion over the next two years and feel that the group deserves a higher rating.

Among only a handful of major movers in stores Coats Viyella dropped to 250p after announcing preliminary profits up from £181.7m to £212.8m, but well below estimates which had topped £220m.

Ward White progressed to end the session 6 harder at 323p after talk that the sale of the Zodiac subsidiary could well be imminent. A minor gain to 131p in Sears disguised a heavy turnover in the shares where some 5m changed hands.

Era moved up 4 to 91p after the 86 per cent jump in full-year profits.

British Telecom retained the accolade of having the biggest turnover among the electronics issues with another 8.2m changing hands. The share price, unsettled on Wednesday by worries over the $15 bn law suit filed by Insat in New York, picked up to close 3½ firmer at 250p.

Plessey attracted turnover of almost 5m with 2.5m traded in a single deal at 164p. Some 3.5m GEC changed hands and the shares hardened 1¼ to 157½p despite news that Flemings have lowered profits forecast for 1987/8 from £705m to £680m and that for 1988/9 from £750 to £735m; Flemings say they see "little prospect of a re-rating".

Profits news was responsible for good gains in Phicom, 4 better at 58p – earnings rose from £403,000 to £1.81m. Cambridge Electrical added 8 to 220p and Synapse 10 to 315p. Late buying boosted Eurotherm 14 to 365p.

The partial offer for a 28.5 per cent stake in Systems Reliability at 150p in cash from Hillsdown Investment Trust and Systems' recommended offer for Fletcher Dennys left Systems shares a stunning 48 higher at 145p but Fletcher Dennys closed 4 off at 40p.

Outstanding features in engineerings included Thomas Robinson 6 higher at 440p after profits up 76 per cent to £12.32m. News of the JP Nash stake boosted Symonds Engineering 3 more to 47p, after 50p. TI's preliminary results showed profits up some 44 per cent to £62.3m – at the very top end of forecasts – but the shares held at around 339p, slightly firmer on the day.

United Biscuits, a highly charged market on Wednesday following a newspaper report that BSN of France had acquired a 5 per cent stake in the company, held steady at 271p following a denial by the French food major that it had taken an interest. A negative Press response to the annual figures left Hillsdown Holdings 6 off at 296p, but traded option activity boosted J. Sainsbury 4 to 249p.

Ladbroke added 3 to 389p after revealing annual profits at the top end of market expectations; Mr Bruce Jones, analyst at Kitcat & Aitken feels the company is shaping up for a further strong profits performance and has accordingly raised profits estimates for the current year by some £3m.

Grand Metropolitan firmed 6 to 487p following the annual meeting.

Kennedy Brookes soared 88 to 388p following a bid approach from an unnamed party; marketmakers were convinced that the approach involves a 380p per share offer from leisure group Mecca.

Sharply higher full-year profits of put William Collins "A" up 21 to 510p but a cautious broking house rating pulled Reed International back 6 to 425p.

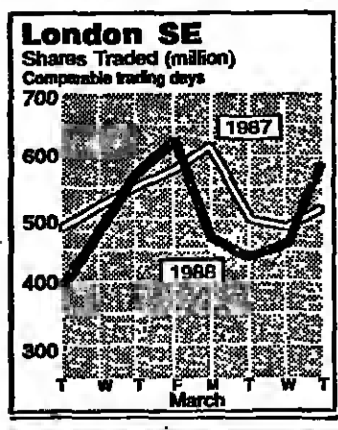
Properties continued to attract selective investment buyers. Land Securities edged up to 515p and MEPC, in fairly active trading, hardened to 491p. British Land continued to respond to property acquisition news with a fresh rise of 5 at 279p, while LET firmed 4 to 139p mainly reflecting the efforts of a solitary buyer. Frogmore Estates rose 13 to 315p and CALA gained 8 to 142p following the respective interim trading statements.

Textiles issues fluctuated narrowly in either direction. Palma, still influenced by this week's excellent preliminary profits, moved to within 4 of the 1987/88 peak to close at 93p while A.Beckman gained 4 to 117p and S.Jerome 5 to 220p. Dawson International, on the other hand, slipped 3 to 206p and J.Haggas, at 117p, showed little sign of recouping the ground lost after Wednesday's disappointing first-half results.

Impressive annual results gave Antofagasta a boost and the close was 7 higher at 277p while International City, awaiting today's interim figures, improved 4 to 164p; Kleinwort Grieveson is forecasting profits of £8m against £7.2m for the same period last year.

A story that Inchcape could be ready to hive off its insurance division, Baine Dawes, aroused fresh demand and in a market short of stock the shares jumped 22 to 734p. Other Overseas Traders were motionless with the exception of Harrisons & Crosfield, up 9 at 590p.

Traded option business was dominated by BP. The shares attracted another heavy turnover, reflected in traded options in which calls totalled 6,282 with puts at 432. The FTSE contract managed just 506 calls and 316 puts. The total number of contracts came out at 19,737, comprising 15,251 calls and 4,506 puts.



FINANCIAL TIMES STOCK INDICES

	Mar. 10	Mar. 9	Mar. 8	Mar. 7	Mar. 4	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	90.53	90.68	90.53	90.59	90.24	89.89	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.12	97.11	97.15	96.80	96.72	95.55	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1472.3	1460.1	1457.7	1462.8	1478.7	1578.0	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	249.7	248.0	242.2	242.5	239.7	331.3	497.5 (4/8/87)	234.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.38	4.41	4.40	4.38	4.32	3.71				
Earnings Yld. % (full)	11.17	11.27	11.21	11.16	11.02	8.60				
P/E Ratio (net)(*)	10.92	10.83	10.90	10.95	11.08	14.25				
SEAQ Bargains (5pm)	28,632	27,697	29,438	31,964	37,045	46,032				
Equity Turnover (£m)	-	1361.37	979.46	1111.11	1413.06	1438.92				
Equity Bargains	-	32,280	32,429	36,755	39,585	57,838				
Shares Traded (ml)	-	448.1	436.5	464.6	618.4	602.3				

S.E. ACTIVITY

Indices	Mar. 9	Mar. 8
Gilt Edged Bargains	139.5	161.2
Equity Bargains	209.2	210.1
Equity Value	2751.7	1979.7
5-Day average		
Gilt Edged Bargains	135.4	133.4
Equity Bargains	230.1	228.6
Equity Value	2566.8	2553.0

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1454.4	1457.9	1461.4	1462.4	1463.7	1463.2	1463.2	1466.0

Day's High 1473.6 Day's low 1454.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil = 10.62.
† Correction

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1987/88

[illegible]

Traditional Options

- First dealings Feb 29
- Last dealings Mar 11
- Last declarations Jun 2
- For Settlement Jun 13

For rate indications see end of London Share Service

Call options were produced in Chancery Securities, Dares Estates, Ultramar, ADT, BP partly-paid, National Home Loan, Sound Diffusion, Inoco, Eagle Trust, Regentcrest, Hawthorn Leslie, Associated British Eng. and Beecham. Puts were arranged in Coats Viyella and Sheraton Securities while doubles were completed in North Kalgurli and BP partly-paid.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	16	83
Corporations, Dominion and Foreign Bonds	0	22	29
Industrials	442	347	768
Financial and Properties	125	150	366
Oils	33	25	51
Plantations	0	0	6
Mines	70	45	86
Others	66	92	109
Totals	755	769	1,430

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Thursday March 10 1988 — [illegible]

FIXED INTEREST

PRICE INDICES	Thu Mar 10	Day's change %	Wed Mar 9	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	123.24	-0.06	123.31	-	2.25
2 5-15 years	141.97	-0.20	142.26	-	2.39
3 Over 15 years	151.39	-0.23	151.74	-	3.06
4 Irredeemables	168.58	-0.07	168.71	-	1.54
5 All stocks	138.33	-0.16	138.55	-	2.43
Index-Linked					
6 5 years	124.91	-0.10	125.04	-	0.51
7 Over 5 years	117.22	+0.24	117.15	0.21	0.88
8 All stocks	117.49	+0.21	117.49	0.19	0.85
9 Debentures & Loans	120.11	-0.05	120.17	-	1.63
10 Preference	88.37	+0.34	88.07	-	0.73

AVERAGE GROSS REDEMPTION YIELDS — [illegible]

‡Opening index 1807.8; 10 am 1813.5; 11 am 1817.7; Noon 1820.9; 1 pm 1822.0; 2 pm 1821.6; 3 pm 1822.4; 3.30 pm 1823.4; 4 pm 1829.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*368)	330	47	52	58	4	11	[illegible]
	360	22	32	40	11	23	[illegible]
	390	8	20	27	27	40	[illegible]
Brit. Airways (*176)	160	19	24	31	3	11	[illegible]
	180	6	11	18	12	19	[illegible]
	200	2	7	-	26	32	[illegible]

[illegible]

March 10 Total Contracts 19,737 Calls 15,251 Puts 4,506
FT-SE Index Calls 506 Puts 316
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FINLAND / FRANCE / GERMANY / ITALY / NETHERLANDS / NORWAY / SPAIN / SWEDEN / SWITZERLAND / SOUTH AFRICA / JAPAN / AUSTRALIA / HONG KONG / SINGAPORE

[illegible]

CANADA

TORONTO
Closing prices March 10

[illegible]

MONTREAL
Closing prices March 10

[illegible]

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 41

[illegible]

RepAm .24	11 1927	14⅞	14⅝	14⅝	+	⅛
ReutHs .57e		2525	30½	29¾	29⅞ −	⅛
Rexon	13	492	6½	6⅛	6⅛ +	⅛
ReyRy .70	0	638	22½	20¾	21¼ − 1¼	
RhonPl		23	27¼	26⅞	26⅞ −	½
Riblim		605	5½	5	5⅛ −	⅜
RchmHl.10e	13	318	20¾	20⅝	20⅝	
RiggsNt1.10	314	33	22¼	21½	22	
RoadSvl.10	28	2006	33¼	32½	32¾ +	½
RochCS.12e	18	110	11⅞	11⅝	11⅝ −	⅜
RevltFd	4	387	9½	9⅜	9⅜ −	⅛
Rospich	37	49	20¾	20¼	20⅜ −	⅜
RossStr		1145	6	5⅞	5¾ −	¼
Rouses .52	105	127	23	22¼	22¼	½

Indices

NEW YORK DOW JONES

	Mar. 9	Mar. 8	Mar. 7	Mar. 4	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
♦Industrials	2074.27	2081.07	2056.37	2057.86	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.60	90.94	91.00	91.22	95.51 (9/2/87)	81.26 (19/10/87)	—	—
Transport	858.24	853.50	850.68	849.79	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	178.11	179.94	179.94	182.37	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2094.16 (2090.02) Low 2064.49 (2055.04)

STANDARD AND POOR'S	Mar. 9	Mar. 8	Mar. 7	Mar. 4	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite ‡	269.06	269.43	267.38	267.30	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	312.46	312.42	309.52	308.98	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	23.73	23.92	23.75	23.86	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	151.48	151.62	150.53	150.43	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt value	299.58	296.04	294.14	293.74	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	380.28	376.93	374.54	373.36	455.28 (26/8/87)	291.98 (28/10/87)	455.28 (26/8/87)	54.87 (31/10/72)

	Mar. 3	Feb. 26	Feb. 19	year ago (approx.)
Dow Industrial Div Yield	3.38	3.41	3.42	2.95

	Mar 2	Feb. 24	Feb. 17	year ago (approx.)
S & P Industrial div. yield	2.96	2.99	3.05	2.58
S & P P/E ratio	15.13	14.92	16.29	20.82

TRADING ACTIVITY

† Volume Millions	Mar 9	Mar. 8	Mar 7
New York	210.900	237.680	152.980
Amex	15.190	13.900	14.930
OTC	158.667	159.152	121.982

NEW YORK	Mar. 9	Mar. 8	Mar. 7
Issues Traded	1,966	1,995	1,971
Rises	871	1,067	845
Falls	636	532	710
Unchanged	459	396	416
New Highs	34	33	27
New Lows	6	6	4

CANADA

TORONTO	Mar. 9	Mar. 8	Mar. 7	Mar. 4	1987-88 High	1987-88 Low
Metals & Minerals	2772.6	2728.5	2682.1	2655.4	3507.5 (5/10/87)	1988.2 (2/1/87)
Composite	3334.1	3303.6	3271.2	3251.5	4112.9 (13/8/87)	2837.8 (28/10/87)
MONTREAL Portfolio	1664.49	1647.44	1630.08	1619.54	2224.77 (16/7/87)	1435.94 (26/10/87)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Detroit Edison	1,375,000	14¼	—
Storage Technology	3,687,800	1¾	+ ¼
Pac Gas & Elect (ul)	2,819,100	16½	− ⅛
Columbia	2,286,500	8¾	+ ⅞
Navistar	2,156,200	5¼	—
Phillips Pet	1,899,900	15⅞	+ ⅛
Homestake	1,814,200	16⅞	+ ⅛
Exxon	1,806,400	41⅞	⅛
Fed Dept Stores	1,697,900	65⅞	⅞
K mart	1,631,300	34⅞	⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

AUSTRALIA / AUSTRIA / BELGIUM / DENMARK / FINLAND / FRANCE / GERMANY / HONG KONG / ITALY / JAPAN / NETHERLANDS / NORWAY / SINGAPORE / SOUTH AFRICA / SPAIN / SWEDEN / SWITZERLAND / WORLD

[illegible]

** Saturday February 27: Japan Nikkei 25284.87 ; TSE 2077.84

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Amstrad	172	+ 7
Antofagasta	227	+ 7
Boots	233	+ 6
Brit. Aerospace	385	+ 10
Collins (Wm.)A	510	+ 21
Conder	293	+ 20
Eurotherm	355	+ 44
Frogmore Ests.	318	+ 13
Inchcape	724	+ 22
Kennedy Brookes	388	+ 88
Laidlaw Thomson	150	+ 8
Lex Service	383	+ 10
Phicom	58	+ 4
Scott. & Newcastle	293	+ 29
Systems Reliability	145	+ 48
Whitbread A	306	+ 7

FALLS

Tr. 11¾ pc. 2003/07	£120 5/16	− ⅜
Commercial Union	318	− 7
Hillsdown Hldgs.	296	− 6
Standard Chartered	455	− 8

TOKYO – Most Active Stocks
Thursday, March 10, 1988

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	140.78m	399	+0
Nippon Kokan	116.17m	390	+2
Ishikawajima-Harima Heavy Industries	112.67m	829	+24
Sumitomo Metal	87.44m	349	+7
Nippon Steel	84.94	443	-1
Kawasaki Heavy Industries	66.79m	354	+5
Mitsui Toatsu Chem	58.91m	819	+39
Nisshin Steel	53.40m	811	+11
Tokyo Gas	48.94m	1,220	uch
Hitachi Ltd	28.26m	1,380	-10

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on P[illegible]

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38¼	34¾	Penwlt	2.40	4.5	13	227	54⅝	53⅞	53⅞	-⅝
38½	20½	Penw pr	1.60	5.2		6	31¼	31	31	-⅛
85	38½	Pennzl	2.20	3.0	109	1019	75⅝	74½	74½	-⅜
23⅞	14¼	PeopEn	.52	8.3	11	330	10⅛	10⅝	10⅝	-½
18⅞	9½	PepBy s	.06	.8	22	1885	14¼	13⅝	13⅝	-⅜
42¾	25½	PepsiCo	.68	2.0	15	7048	35	34	34	-¾
12⅞	7⅝	PerkF	1.20e	12.	13	148	10⅛	10	10	-⅛
41⅛	18½	PerkEl	.60	2.1		1626	28¾	28⅞	28¼	-⅝
9⅞	3⅞	Prmlan	.60e	10.	12	554	5⅞	5¾	5⅞	+⅛
10¼	5¾	PrLP pr	1.15	14.		309	8½	8⅝	8⅝	-⅛
16	5¼	PeryDr				358	7⅝	7¾	7½	+¼
30	14⅞	Petrie	.20	.9	10	220	22½	21¾	22	-⅜
31¼	15⅝	PetPar	2.06	10.	10	290	20⅝	20¼	20¼	-¼
33½	20½	PetRs	3.18e	13.		13	24⅝	24½	24½	+⅛
18	15	PetRs pf	1.57	9.5		9	16½	16½	16½	+⅛
2½	¾	Ptrlnv	.22e	20.		24	7¼	1⅛	1⅛	-¼
61½	40	Pfizer	2	3.7	16	5428	55⅝	54½	54⅝	
56	23½	PhelpD	.60	1.4	3	4178	43¾	41⅝	41⅝	-1⅞
74	37	PhlpD pf	3	5.1		458	59¾	58½	58½	-1⅛
23¾	19¾	PhilaEl	2.20	12.	3	7259	18⅝	10	18⅝	-⅛
45½	34	PhE pfA	3.80	11.		z330	36⅛	36	36	-½
48⅛	37½	PhE pfB	4.30	11.		z200	41	40½	40½	-½
77⅞	62¼	PhE pfE	7	9.3		z100	70⅝	70⅝	70⅝	-⅛
87	69	PhE pfG	8.75	10.		z450	84¾	84¾	84¾	+⅛
105⅝	86	PhE pf	9.50	10.		z300	94	93	93	
15¾	11	PhE pfR	1.41	11.		11	12⅝	12⅝	12⅝	
13	9⅞	PhE pfP	1.33	12.		21	11⅝	11⅜	11½	-⅛
34¼	18⅝	XTRA	.64	1.9	17	324	u34⅝	33⅝	33⅝	-⅜
28½	18½	XTRA pf	1.94	6.6		147	u29½	28½	29½	
33⅞	17½	Yorkin			18	250	28¾	28¾	28⅞	+⅛
7¼	2¾	Zapata				1383	3¾	3⅜	3½	+⅛
37	15½	Zayre	.40	1.6	19	3889	22⅞	21⅝	21⅞	-⅞
18⅛	8¾	Zemex	.40	3.8	12	30	11	10½	13½	-½
33⅝	10	ZenithE				943	18⅞	18	18	-¾
13½	2½	ZenLab				825	3	2¾	2¾	-⅛
24	18½	ZenNtl	.80	4.1	3	172	19⅞	19⅝	19⅝	-½
20⅝	11⅝	Zero	.80	2.4	15	48	15⅛	14¾	15	-⅛
30¾	13	Zurnln s	.80	3.0	13	641	28½	22⅛	20	+1
10⅝	7⅝	Zweig	1.08e	11.		493	10	9⅞	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 39

AMERICA

Technical selling breaks calm and causes sharp fall

Wall Street

THE EERY calm in the stock market broke yesterday as stock index arbitrageurs suddenly started selling stocks for technical reasons, which led to the steepest daily fall in the equity market since January 20, *writes Janet Bush in New York.*

The Dow Jones Industrial Average had drifted only marginally lower throughout the session but began to plunge at around 1,400 as stock index arbitrage sell programmes went into effect.

The Dow eventually closed 48.24 points lower at 2,026.03 in volume of about 200m shares.

The selling was almost entirely due to stock index arbitrageurs unwinding positions built up over the last few weeks, prior to the so-called triple witching hour next week when stock indices, options and futures contracts all expire at the same time.

This is the first session in some weeks when stock index arbitrage had exerted a major influence on the market. Quite the most interesting aspect of the day's movemeot, however, was the fact that stock index arbitrageurs limited business in order to comply with the New York Stock Exchange's curbs on the use of its Superdot electronic order execution system for programme trading.

Earlier this year, the NYSE decided to make permanant experimental curbs on programme trading and tightened the limits so that they would go into effect if the Dow were to rise or fall by 50 points or more in a single sessioo (the previous limit had been 75 points).

The question everyone will be asking today is whether the arbitrageurs have more unwinding to do. It may be that technical unwinding is having to be spread over a number of days to comply with the NYSE regulations.

The other question is how far-reaching a technical and psychological effect this latest bout of programme trading will have on the market.

Debate in recent weeks has centred on whether the painfully slow progress of the equity market in recent weeks - when sharp buying bursts have invariably been followed by days of drifting retracement - represented necessary, healthy base-building for a more prolonged recovery or was simply evidence that confidence is still very fragile.

Buying during recent sessions has not been general. Blue chip stocks have underperformed secondary issues and trading has been concentrated in stocks involved in specific, often takeover-related situations.

A background factor which has limited progress in the equity market recently has been a pick-up in oil prices and this was a factor yesterday. Crude oil futures moved sharply higher and, at the same time, the price of gold jumped by nearly $7 an ounce.

Concern about the inflationary implications of a rise in precious metals and commodity prices has also undermined bonds.

The US Treasury bond market closed around ¼ point lower with the Treasury's 8.875 per cent 30-year issue closing ½ lower to yield 8.55 per cent.

Oil stocks, which had been mostly higher at midsession, closed lower. Exxon ended $¾ lower at $41⅝, Chevron was unchanged at $45.14 and Mobil closed $⅛ lower at $43⅛.

Among corporate announcements was news that Colt Industries had agreed to be acquired for $17 a share by a new company formed by Morgan Stanley Equity Fund II and a group of Colt's senior managers. Colt's share price jumped $4⅞ to $18⅝ and escaped falls in the broader market.

Sabine, the oil and gas exploration and development company, gained $3⅝ to $18⅝ after news of a $20-a-share offer by Presidio Oil.

Wang Laboratories' B shares slumped $3⅞ to $12⅞ after the company revised down sharply its forecast for third quarter revenue growth. The company had previously estimated growth of between 10 per cent and 12 per cent in the quarter but yesterday predicted growth of between 4 per cent and 6 per cent.

Canada

SELLING among mining issues caused Toronto stocks to slump late in the session after rising as much as 31 points earlier in the day.

The composite index fell 20.37 to 3313.72, but advances outpaced declines by 504 to 422 on heavy volume of 36.7m shares.

The price of aluminium declined slightly and Alcan fell C$⅛ to C$35⅞.

Other mining stocks hit by selling were Falconbridge, down C$⅜ to C$22⅝, Inco, down C$1 at C$28⅝, American Barrick, down C$⅛ at C$26⅞ and Cominco, down C$⅞ to C$17.

EUROPE

Swedish turnover soars as foreigners pour in

SWEDEN ruled for the day in Europe yesterday as Stora's takeover bid for Swedish Match pulled in a wave of foreign buyers. Trading elsewhere was mixed, *writes Our Markets Staff.*

STOCKHOLM saw one of its most active trading days on record following the launch on Wednesday of the country's largest ever takeover bid.

The SKr5.9bn cash bid by Stora for Swedish Match led to a mass return of foreign investors, with strong overnight buying in international favourites such as Asea, Electrolux, Ericsson and Volvo. "They're buying on the view that the market has nowhere to go but north," said one analyst.

The liquidity boost for the market from the cash bid was also fuelling optimism, he said.

London brokers James Capel forecast yesterday that the net inflow of funds to the market would climb 50 per cent this year to SKr11.5bn.

Turnover yesterday reached SKr739m, more than twice the bourse's average level and strongly up on the SKr324m recorded on Wednesday. The Affaersvaerlden index climbed 15.4 to 806.2.

Swedish Match B shares added SKr22, or 18 per cent, to close at SKr137, the price being offered by Stora. Stora ended up SKr18, or 4.6 per cent, at SKr408.

Renewed rumours of a possible takeover or large stake purchase in Alfa Laval helped the stock to rise SKr9 to SKr304. Sandvik, which announced a 10 per cent rise in 1987 profits, added SKr1 to SKr175.

In the forestry sector, Modo, Holmen and Iggesund were suspended pending details of a corporate restructuring.

FRANKFURT maintained its opening upward momentum to close near the day's highs with the FAZ index up 1.98 at 458.29.

Domestic institutions appeared to be supporting the market and volume was slightly up on Wednesday.

Retailers again posted strong gains, with Massa ahead DM16.50, or 6.6 per cent, at DM265.

Cars attracted further attention, and Porsche closed DM11 higher at DM477 while Daimler rose DM2.50 to DM698.50. Volkswagen, which signed a 10-year joint venture in Bulgaria, recovered DM2.10 to DM234.60 after recent hefty falls.

AMSTERDAM edged up to post another high for the year on the all-share trend index, ending 0.1 up at 82.6 amid continued takeover rumours.

Biotechnology group Gist-Brocades attracted some rumours, rising Fl 2.10 to Fl 33.50, although dealers were sceptical. NMB, rumoured to be attracting recent interest from a major French bank, eased Fl 1.40 to Fl 58.10 and insurer Amev, which has denied takeover speculation, lost 60 cents to Fl 52.70.

In internationals, Royal Dutch moved a further 80 cents ahead to Fl 217.50 on higher oil prices, and Philips, up 50 cents at Fl 28.20, found some support from both foreign and domestic buyers after its recent poor run.

PARIS eased in moderately active trading as election jitters began to take hold. The CAC General index opened up 2.8 at 301.6.

Among the gains was Esso SAF, which put on FFr23, or 7.7 per cent, to FFr322 amid rumours that Esso and BP planned to increase their stakes in their French subsidiaries. BP France added FFr1 to FFr73.

MILAN closed higher after a sluggish start, with a late rally wiping out early losses. The MIB index ended up 2 at 1,030.

Supermarket chain Standa attracted the most attention on rumours that a number of companies, domestic and foreign, might be interested in taking it over. The stock surged L400, or 31 per cent, to L13,150.

ZURICH ended mostly mixed in cautious trading, affected by the easing of the dollar to just under SFr1.38. The Crédit Suisse index closed up 2.4 at 467.3.

Chemicals company Sandoz, which announced the acquisition of Swedish company Dinol International, ended unchanged at SFr12,925.

BRUSSELS closed lower in moderate trading and the index dropped 29.23 to 5,013.77.

GB-Inno, Belgium's largest retailer, fell BFr112 or 8 per cent to BFr1,348 on volume of 126,660 shares as takeover talk faded.

Gevaert lost BFr110 to BFr7,590 after announcing a drop in profits.

OSLO rose across the board, with the oil index up 7.66 to 341.91 on higher crude spot prices.

London

CONTINUED strong demand for British Petroleum, this time from the Kuwait Investment Office again, helped push the market higher with the FT-SE 100 index closing 19.3 up at 1,834.6.

Equities took heart from signs of less upward pressure on sterling, and turnover was near the year's record.

SOUTH AFRICA

THE BULLION price's rise to over $440 pushed up Johannesburg gold issues. Demand from local institutional and UK investors increased, but volume was again limited by scarce stocks.

Among golds, Randfontein climbed R17 to R240, Vaal Reefs rose R7 to R270, Harties was up 85 cents to R21.25, Western Deep increased R4.50 to R113.50.

Diamond stock De Beers, due to announce its annual results today, shed 25 cents to R28.50.

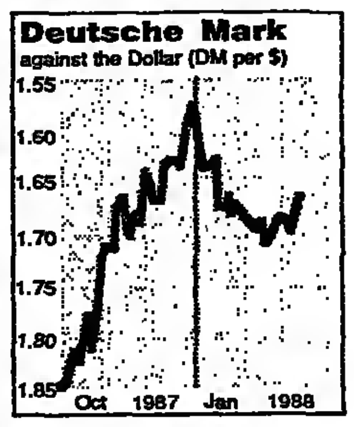
Mining house Gencor, which reported a rise in industrial earnings for 1987, gained R1.25 to R46.50.

Strength in platinum issues persisted, with Rustenburg gaining 25 cents to R30.25 and Impala rising 25 cents to R26.75.

In insurance stocks, Liberty Holdings gained R1 to R27.50 and Liberty Life added R10 to R120 after announcing its annual results.

US funds turn attention to Europe

BY ALISON MAITLAND



US FUND managers expect to boost their investment in Europe this year, despite last October's crash and the likelihood of further depreciation in the dollar, according to Salomon Bros, the US investment banking and securities firm.

Mr Michael Howell, European strategist at the London office of Salomon, says US pension funds plan to devote a greater proportion of their equity investment to European bourses than in the boom year of 1986.

Many have kept a presence in Europe despite the crash, and the 60 per cent of pension funds not already invested in foreign equities are now interested in diversifying. In continental Europe, West Germany is seen as one of the more attractive prospects.

The recent strong rally by West German shares has taken the market close to what Salomon sees as its fair value, but US funds are still interested in buying big international stocks with good liquidity because they are looking for longer-term value, Mr Howell says.

Switzerland is also attracting interest, and some US pension funds have been dipping into the French market for the first time.

The US pension funds are less worried about short-term equity performance than their UK counterparts because they have a far greater weighting in fixed income securities. "If they get it right after three years, it's acceptable," Mr Howell says.

The longer-term perspective of the US fund manager helps to explain why US investors were not aggressive sellers of German equities during the crash.

US net sales from October to December 1987 reached DM800m ($480m current), far less than those of either UK or Swiss investors, who sold DM2.34bn and DM2.17bn respectively.

With the dollar falling against the D-Mark, it made sense for US investors to hold on to their German equities. However, a turnround in the dollar could also be beneficial through boosting earnings prospects and share prices of leading German exporters.

Mr Howell believes some of the recent rise in West German share prices and turnover can be attributed to new money beginning to trickle in from the US.

Turnover of shares in West Germany jumped 26 per cent to DM58.2bn last month from January and international favourites Daimler, Siemens and Deutsche Bank topped the active list. The FAZ index has risen 15.6 per cent since the beginning of February to close yesterday at 458.29.

While Salomon does not expect US funds to push the German market higher over the year, it believes they could provide some support. The US firm estimates foreigners will make total net purchases in West Germany of DM4bn, compared with net sales of DM13.63bn last year and record net sales of DM15.7bn in 1986.

US investment house Goldman Sachs International agrees that US pension funds will continue to invest abroad rather than retrenching. But Mr Jeffrey Weingarten, director of international equity research in London, says: "I don't get a sense in talking to the institutions that there's been a significant movement into European markets by US funds so far this year."

InterSec Research, consultants on international diversification for pension funds, believes the present mood is cautious but that money from US pension funds investing abroad for the first time is likely to start moving into European bourses in the second or third quarter of this year.

"The exchange rate factors are not extremely attractive now unless they are able to get a local money manager to invest on their behalf. The dollar exchange rate will drive down any of their profits," says Ms Lorig Maranjian at the US firm's London office.

But she says it is generally agreed that US funds with international holdings did better last year than those invested only in their domestic markets.

InterSec believes the pace is likely to accelerate later this year, with the total invested overseas by US pension funds rising to at least $60bn at the end of this year and to $250bn in 1992. This compares with $45.2bn at the end of 1986 and $50bn last year.

ASIA

Large-capitals lead nervous ascent

Tokyo

DEMAND for large-capital stocks pushed the market higher in Tokyo yesterday but gains were kept in check towards the close on renewed investor concern over the fast upward pace, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended 12.43 points higher at 25,617.82 after moving between a high of 25,686.26 and a low of 25,604.72. Volume reached 1.63bn shares compared with Wednesday's 1.4bn. Declines outnumbered advances by 502 to 425, with 138 issues unchanged.

The market got off to a strong start with individual investors, business corporations and foreign investors placing large buy orders for steel, shipbuilding and other large-capital issues.

But nervousness over precariously high prices began to grow in late trading as market leaders, such as Nippon Kokan, Ishikawajima-Harima Heavy Industries and Kawasaki Steel, rose to record highs. As a result, buying enthusiasm dwindled rapidly.

The market is oevertheless basically strong, as the Nikkei average managed to score a rise in spite of the selling since Monday by *tokkin* specified mooey trusts and fund trusts, said a leading securities house.

On the trading floor, Kawasaki Steel topped the active list with 141m shares changing hands and rose Y8 to a record Y399.

Nippon Kokan and Ishikawajima-Harima gained Y2 and Y24 to record highs of Y390 and Y829 respectively. Nippoo Kokan was the second busiest issue with 116m shares traded and Ishikawajima-Harima third with 113m. Nippon Steel ended Y1 lower at Y443 after advancing Y5 at one stage.

Buying interest focused on large-capital chemicals in afternoon trading. Mitsui Toatsu Chemicals, the seventh most active stock with 59m shares, added Y39, or 5 per cent, to a record Y819. Mitsubishi Gas Chemical added Y30 to Y710 and Sumitomo Chemical Y17 to Y937.

Rises included synthetic fibre maker Teijin, up Y22 at Y837, and nonferrous metal issue Mitsubishi Metal, Y43 higher at Y868.

High-technology stocks were mixed with NEC adding Y20 to Y2,120 and Hitachi losing Y10 to Y1,380. TDK fell Y50 to Y4,650 while NTT finished Y30,000 lower at Y2.41m.

Construction issues were depressed by US pressure on Japan to allow American contractors' participation in Japanese public works projects. Taisei fell Y17 to Y925.

A wait-and-see mood dominated the bond market with institutional investors still sticking to the sidelines.

In early afternoon trading, dealers of one bank sold the benchmark 5.0 per cent government bond maturing in December 1997, and its yield rose from 4.480 per cent at Wednesday's close to 4.520 per cent.

Later, however, the dealer section of a brokerage house bought the benchmerk issue, pushing the yield down to 4.475 per cent at the close of trading.

Osaka Securities Exchange prices turned down slightly, although large-capital stocks continued to attract buying interest. The 250-issue OSE stock average closed 6.08 points lower at 25,929.62, on an estimated volume of 268m shares, up 59.5m shares from the previous day.

Nintendo came under selling pressure, ending Y190 lower at Y8,910, while Ono Pharmaceutical dropped Y130 to Y6,860. Tsudakoma soared Y130, or 9.7 per cent, to Y1,460 on prospects that its recurring profit for the business year to November 1987 would be revised substantially upward.

Hong Kong

LATE profit-taking reduced the day's gains following aggressive buying from overseas institutions, with the Hang Seng index closing 39.58 higher at 2,591.34.

Turnover was at its highest for the year, at HK$1.89bn against HK$1.58bn on Wednesday.

Properties and banks led the advance, with Cheung Kong rising 15 cents to HK$7.80, Hongkong Land up 10 cents at HK$7.90, and Hongkong Bank 10 cents higher at HK$7.50.

Sun Hung Kai Properties rose 15 cents to HK$10.10 and Hang Seng Bank added 50 cents to HK$31.75 pending the release today of their profits figures.

Australia

OVERSEAS bnying boosted shares sharply for the second consecutive day, with demand spread among most sectors. The All Ordinaries index ended 18.4 higher at 1,389.2, its highest since early November.

Turnover totalled 151m shares, believed to be the largest so far this year.

Investor interest continued to focus on Elders IXL and AFP Investments, which added 3 cents each to A$3.56 and A$1.20 respectively.

BHP was steady at A$7.10, with Bell Resources up 8 cents at A$1.15 and Bell Group 7 cents higher at A$1.82. News Corp advanced 20 cents to A$12.50 but Bond Media was steady at 52 cents.

Gold stocks were mostly higher. Emperor was up 25 cents at A$2.70 and 10 cent gains took Gold Mines of Kalgoorlie to A$2.08 and Metana to A$7.20. Renison Goldfields fell 30 cents to A$6.00.

Singapore

BARGAIN hunting helped push share prices up in fairly active trading with the Straits Times Industrial index adding 11.33 to 943.66.

The day began quietly but was boosted towards midday by sustained gains in Tokyo and Hong Kong. Turnover rosa to 38m shares from 32m.

Expectations of good corporate annnal results also helped. Demand from institutions and small investors saw some Singapore-based blue chips scoring double-digit gains, bnt activity was centred mainly on low-priced and Malaysian speculative issues.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MARCH 10 1988					WEDNESDAY MARCH 9 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (91)	110.43	+1.4	88.86	100.70	4.18	108.91	87.40	99.39	180.81	85.36	113.22
Austria (16)	90 72	+0.2	73.00	78.35	2.67	90.57	72.68	78.34	102.87	84.35	93.79
Belgium (48)	139.61	−0.2	112.34	120.16	3.97	139.89	112.26	120.57	139.89	94.63	114.18
Canada (126)	120.57	−0.8	97.02	109.70	2.99	121.56	97.55	110.34	141.78	98.15	126.95
Denmark (38)	121.80	+0.5	98.01	105.69	2.78	121.17	97.24	104.94	124.83	98.18	112.38
Finland (23)	119 99	+0.3	96.55	101.13	1.96	119.59	95.97	100.85	–	–	–
France (122)	86.50	−0.4	69.60	76.90	4.03	86.82	69.67	76.95	121.82	72.77	113.08
West Germany (94)	79.38	+0.7	63.88	68.72	2.69	78.84	63.27	68.37	104.93	67.78	87.56
Hong Kong (46)	100 41	+1.1	80.80	100.58	4.22	99.37	79.74	99 53	158.68	73.92	108.43
Ireland (14)	120.02	+0.4	96.57	105.59	4.18	119.50	95.90	104.95	160.22	93.50	127.98
Italy (94)	75.45	−0.5	60.71	69.70	2.77	75.84	60.86	69.69	112.11	62.99	95.64
Japan (457)	162.94	−0.1	131.11	131.93	0.53	163.17	130.94	132.02	163.67	100.00	121.89
Malaysia (36)	117.29	+0.6	94.38	115.37	3.32	116.64	93.60	115.04	193.64	93.76	130.86
Mexico (14)	151.26	−7.7	121.71	376.57	0.94	163.94	131.56	408.14	422.59	90.07	123.74
Netherland (37)	107.30	+0.2	86.34	91.63	5.00	107.10	85.94	91.53	131.41	87.70	107.70
New Zealand (23)	77.42	+2.7	62.30	61.35	5.37	75.36	60.48	59.66	138.99	64.42	93.47
Norway (24)	114.59	+1.7	92.21	98.45	3.08	112.68	90.43	96.47	185.01	95.51	121.04
Singapore (26)	111.59	+1.1	89.79	103.51	2.32	110.34	88.54	102.41	174.28	81.21	117.91
South Africa (61)	136.78	+0.8	110.06	81.91	5.14	135.71	108.90	80.18	198.09	100.00	130.24
Spain (43)	147 15	−0.2	118.41	124.69	3.37	147.47	118.34	124.84	168.81	100.00	110.38
Sweden (32)	119.83	+3.2	96.42	105.11	2.60	116.09	93.16	101.61	136.64	88.50	107.46
Switzerland (53)	86.75	+0.6	69.80	74.16	2.29	86.25	69.21	73.74	111.11	73.65	95.71
United Kingdom (327)	139.77	+0.6	112.47	112.47	4.24	138.89	111.45	111.45	162.87	99.65	127.42
USA (585)	107.69	−1.9	86.65	107.69	3.50	109.74	88.06	109.74	137.42	91.21	120.11
Europe (965)	109.96	+0.4	88.48	92.54	3.75	109.51	87.88	92.01	130.02	92.25	110.13
Pacific Basin (679)	158.41	−0.1	127.46	129.38	0.71	158.52	127.21	129.38	158.80	100.00	121.01
Euro-Pacific (1644)	139.05	+0.1	111.89	114.71	1.68	138.93	111.49	114.50	143.65	100.00	116.67
North America (711)	108.37	−1.8	87.20	107.82	3.47	110.37	88.57	109.80	137.55	91.68	120.47
Europe Ex. UK (638)	91.48	+0.2	73.61	80.01	3.30	91.29	73.26	79.78	111.97	78.89	99.43
Pacific Ex. Japan (222)	103.83	+1.3	83.55	96.77	4.15	102.46	82.22	95.53	164.03	82.92	110.20
World Ex. US (1845)	138.41	+0.1	111.37	114.32	1.75	138.32	111.00	114.12	143.38	100.00	117.20
World Ex UK (2103)	125.24	−0.7	100.78	111.96	2.11	126.14	101.22	112.69	138.82	100.00	117.47
World Ex. So Af. (2369)	126.46	−0.6	101.75	112.22	2.30	127.21	102.08	112.80	139.47	100.00	118.27
World Ex. Japan (1973)	109.07	−0.9	87.77	101.88	3.61	110.06	88.32	102.71	134.22	92.98	116.66
The World Index (2430)	126 53	−0.6	101.81	112.01	2.32	127.26	102.12	112.57	139.73	100.00	118.35

Base values Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

SECTION III

FINANCIAL TIMES SURVEY

A strong economic and geographical structure stems from the 1970s boundary changes. The county has real growth, falling unemployment and spreading affluence, attracting companies which move there for operational and other reasons. **Ian Hamilton Fazey** reports.

Cheshire

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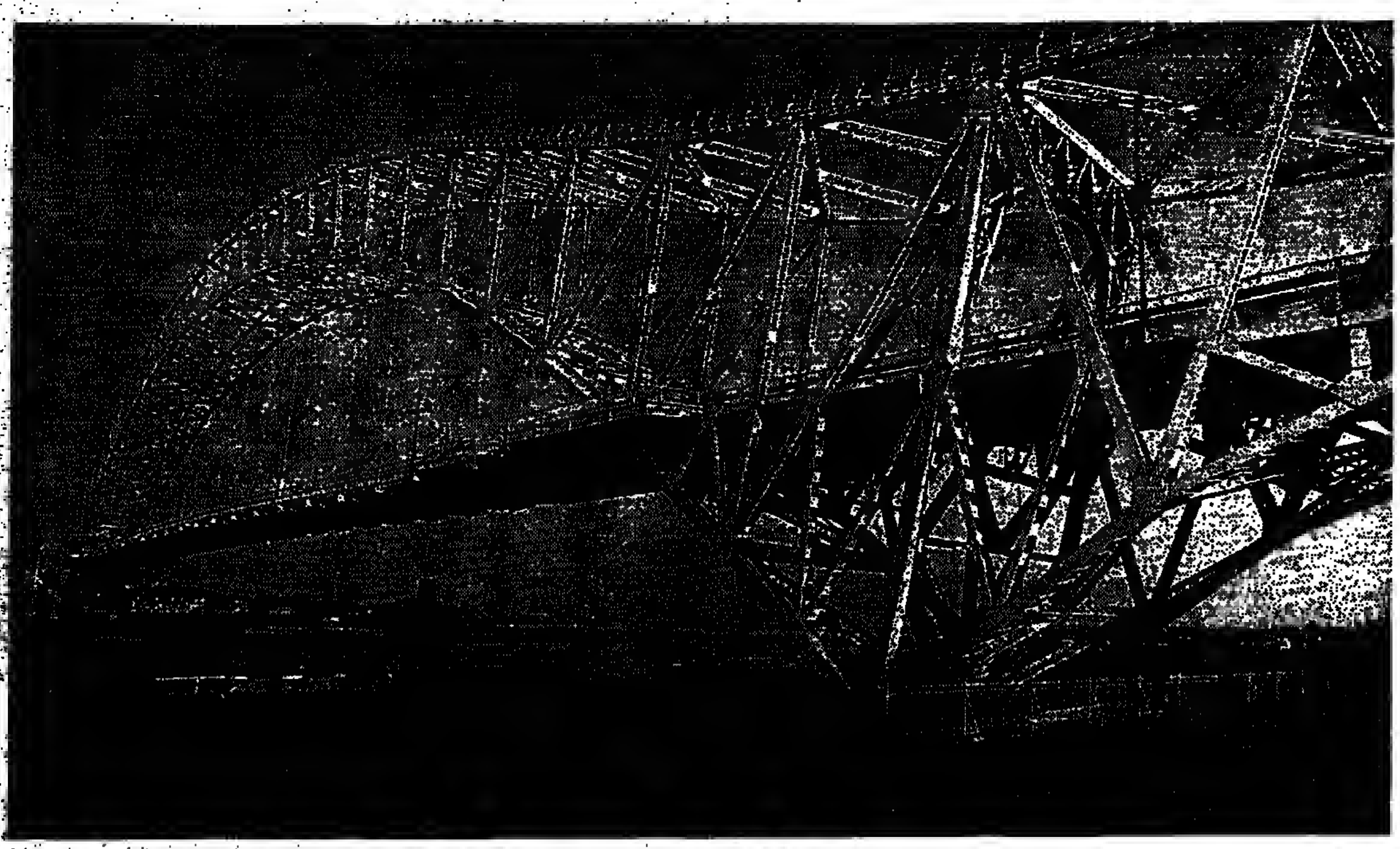


Picture: The Runcorn to Widnes Bridge, across the River Mersey and Manchester Ship Canal
Roger Taylor

Nearest thing to the South

CHESHIRE IS where the North of England begins. It spreads from the Welsh border to the Derbyshire peaks as though it were a buffer state protecting the Midlands and South from the urban struggles of Merseyside and Manchester.

The comparison with real buffer states is but geographical. There is little deprived, dependent or marginal about Cheshire. The county has its problems, but it also has real growth, falling unemployment and a spreading affluence.

Most of it is green and pleasant. Villages provide tranquility only 40 minutes from the hustle of Greater Manchester. Cheshire is increasingly desirable as a place to live and work. It is worth looking at why.

Part of the evidence of its desirability can be found from the identities of some of the arrivals of recent years, all substantial companies. They include Marconi Space and Defence Systems, New England Business Services, Ilford, the National Nuclear Corporation and Gandalf Digital Communications.

On the road between Chester and Wrexham, adjacent to the famous King's School, other new arrivals are setting up in the new Chester Business Park. Here is the headquarters of St Michael Financial Services, the home of the new Marks & Spencer charge card.

Nearby, in a building typical of the modern, high tech pavilion style of architecture, are the new offices of Shell Chemicals, opened last month by Mr Cecil Parkinson, the Energy Secretary.

Shell Chemicals is possibly the most important company in Cheshire at present for the single reason that it has moved its headquarters from Trafalgar Square, and is telling everyone about it.

There were, of course, sound operational reasons. The company's main plants are at Ellesmere Port - a few miles away from Chester on the banks of the Mersey - and Carrington, in Greater Manchester. Customers are concentrated in the North-West and West Midlands, so it was logical that the company's 225-staff headquarters should be more accessible physically.

However, in an age of instantaneous telecommunications, it did not have to be. A principal reason for moving was the wish to get out of central London. Other locations looked at were the M25 and M4 corridors.

Chester Business Park won because of the total package offered, which included two people from tha county council working full-time to smooth things, as well as regional development grant for the specific part of Cheshire involved.

Having made the decision, the company's potentially more difficult problem was persuading staff to move across the North-South divide. Even in an international company where senior staff are used to changing jobs and possibly moving every three years, Cheshire's emergence as the nearest thing to the South in the North certainly helped.

There were special briefings and learning weekends, special financial packages to enable some people to buy second properties or others to rent in Cheshire. Cheshire estate agents provided full details of properties for an information room in the then offices at the top of Northumberland Avenue in London.

The result was that of the 80 per cent of staff who were offered jobs - no attempt was made to relocate people who were near retirement - 80 per cent accepted. Refusals tended to come from married women whose husbands were tied to London jobs with other companies, or people with, say, elderly or sick parents to care for.

People with genuine reasons were accommodated elsewhere in Shell. Only five people left the company. Most moved quickly so that they could put their children into local schools by last September, with half of them selling up in the South and buying much more substantial property in Cheshire. A small number commute northwards on a weekly basis.

The company is still counting the benefits. They include a greater sense of teamwork, no travel-to-work problems, no evening rush for the train home, a purpose-built working environment - and only half the cost of running the headquarters compared with London.

However, a better perspective on Cheshire comes from an immigrant business which has had longer to assess things. Siemens moved its energy and automation group headquarters and factory to Congleton 18 years ago and has never stopped expanding.

Indeed, the last four years have seen tha company's annual growth exceed 20 per cent, especially in industrial automation, systems engineering and associated electronic equipment. Sales are now more than £100m a year.

Congleton, between Macclesfield and Stoke-on-Trent, was chosen for easy access to potential industrial customers in the North and Midlands. A typical contract delivered last year to Shell's Stanlow refinery was the world's largest turbine generator for a catalytic cracker.

The workers it employed in Cheshire were new to advanced electronics but Siemens was happily surprised to find them adaptable and eager.

Siemens moved before Cheshire assumed the shape it is today, which followed the reorganisation of local government in 1974. Cheshire, largely unchanged since the Domesday Book, surrendered urban areas such as Wallasey, Birkenhead, Sala, Altrincham, Stockport and Hyde to Merseyside or Greater Manchester.

In return, it got the county boroughs of Chester and Warrington, the old town of Widnes and a few bits of old Lancashire. Warrington has proved a major gain and is now the most populous of Cheshire's eight districts, with nearly 170,000 people.

Half a generation on from these boundary changes, the effect is beginning to show. They gave the county an economic and geographical structure on which to build real growth.

Warrington's greatest asset is that it is at the junction of the M6 and M62 - within one day's HGV drive from more than 90 per cent of Britain.

Warrington and Runcorn New Town Development Corporation has exploited this asset skilfully, but while it has encouraged a massive influx of giant distributive and warehousing businesses, the centrality of the location has also attracted many other types of jobs.

Some things emerged by historical accident, such as the nuclear industry, which was founded on the UK Atomic Energy Authority at Risley, a former military station. Once British Nuclear Fuels was established there, it was a magnet for a network of companies and consultancies to supply it with design and knowhow.

The arrival of the National Nuclear Corporation - designers and builders of Britain's nuclear power stations - at Knutsford, 12 miles down the M6 corridor to the south, has reinforced Cheshire's place as the centre of the UK nuclear industry.

Meanwhile, Warrington and Runcorn have pulled in more than 800 companies - more than 100 from the US - in the last decade, generating 26,000 jobs. The effect has not been lost on the private property sector: the corporation, like other New Towns, is being wound up; last month the Carroll Gronp announced £43m of investment to take over one part of its territory.

The overall result is that combined with a base of well-founded businesses and an influx of new ones, Cheshire is developing a well-balanced economy. There is a wide spread of industries and a broadly-based distribution of businesses by size.

Structurally, this both enables and encourages growth. The contrast is with more narrowly-based economies with a much higher proportion of big companies - Teesside's is perhaps the most extreme example - which struggle to regenerate.

Cheshire's unemployment was slightly above the national average until the end of 1986 but has moved consistently below it since, despite continuing job losses in traditional industries such es railway engineering at Crewe.

There is a problem of an East-West divide - Macclesfield's unemployment rate is down to 6 per cent, as against 15 per cent at the western end of the county, but Mr Robin Wendt, the county's chief executiva, and Mr Monty Cordwell, the head of employment promotion, hope for improvement.

They believe that the walled Roman city of Chester has yet to fully exploit tourism as a job-creating service industry. Complacency years ago - when Cheshire was a traditional shire county - saw it lose out to York in attracting and setting up specialised museums and the like.

The change in local government probably did not help either. It made the City of Chester subordinate to the county and created tensions. Others did not like being lumped in with old Lancashire towns such as Widnes and Warrington.

However, half a generation has gone by and, in political terms, an age has passed. A succession of local political leaders has seen memories blur with time, new faces and a changed national outlook.

More important, the electorate has had its say. The landowners of Domesday Cheshire may be twirling in their coffins, but the present Cheshire County Council has 32 Labour members, 27 Conservatives, 11 Alliance and 1 Independent. Labour seems untroubled by the urban militancy of Merseyside and Manchester, so the overall stance tends to be somewhere in tha middle of the spectrum.

The parties have to work together through consensus - and do. Attracting jobs - which means creating the conditions for industry that will encourage job providers - has the highest priority among the non-statutory things the council does. It is a critical ingredient in why Cheshire is successful.

In 1961 fewer than 750,000 people lived in Cheshire. By 1981, there were 935,000, despite the loss of several urban areas in reorganisation. The trend slowed in the recession but has picked up again. There are 950,000 people now, with a projection of between 990,000 and 1.03m by the year 2001.

Will jobs be chasing the people - or people the jobs? A lot will depend on how attractive Cheshire continues to be to people and businesses alike. For the moment, things look good for this pleasant part of England.

Hundreds of small and medium-sized businesses are growing fast

Thriving network created by the big employers

IT IS A sign of the basic, healthy diversity of Cheshire's economy that out of more than 2,000 businesses, the county council's industrial buyers' guide lists only 44 with more than 500 people on their payrolls.

The guide is not quite comprehensive,but sufficiently so to give an accurate picture. Perspective comes from census data and trends: apart from the wide spread of industries and sizes of the enterprises, the economy is stabilised further by a pattern of growth most of the rest of the North would envy.

The growing sectors are full of tomorrow's industries - professional and scientific services, distributive trades, insurance and banking, food and drink, and chemicals.

While the big employers are well represented in all of them, more important are hundreds of small and medium-sized businesses which are growing rapidly.

This picture of structural health becomes even rosier when the county's declining industries - such as vehicles, metal bashing, textiles, clothing, bricks, and paper - are looked at closely. There are many big companies here but they are mainly slimmed-down survivors of recession now going from strength to strength.

Generally, the big employers - which are also well spread geographically - help create a firm network which medium-sized and smaller businesses have been filling in. The nuclear industry illustrates the point, with British Nuclear Fuels at Warrington and Capenhurst in the Wirral, and the National Nuclear Corporation at Knutsford and Warrington.

Both are responsible for designing and building plant to the highest specifications yet attempted - BNFL mainly at Sellafield, while NNC's job is nuclear power stations.

Each employs thousands but also supports hundreds of other businesses, some of them small design consultancies, others computer software specialists, others larger suppliers of a wide range of goods and services. Many are concentrated in and around Warrington and down the M6 corridor towards Knutsford.

However, the national importance of Cheshire also lies in who the big companies are. For example, BNFL and NNC make it the real centre of Britain's nuclear industry, because that is where the head offices are.

Chemical giants are also a Who's Who of the industry, especially since Shell Chemicals decided to relocate its UK headquarters to Chester. ICI's presence is massive and split between two independently large businesses - heavy chemicals at Runcorn and pharmaceuticals at Macclesfield.

The drug industry is also represented by The Wellcome Foundation, headquartered at Crewe, and Fisons nearby at Holmes Chapel.

Meanwhile, a forest of columns and chimneys along the Mersey marshes near Ellesmere Port is one of the most strategic concentrations of the chemicals industry in Europe. It is dominated by Shell UK but includes UKF Fertilisers at Ince.

Across the river at Widnes, Laporte makes a wide range of inorganic products while Unilever is represented by Crosfields Chemicals and Lever Bros at Warrington.

Vehicles and transport also account for thousands of jobs. There is a question over some of them, such as at British Rail Engineering at Crewe, but road transport presents a different picture, with both ERF and Foden building trucks profitably at Sandbach, Rolls-Royce exporting record numbers of cars from Crewe, and Vauxhall mature and established, if somewhat slimmer, at Ellesmere Port.

Big employers in the metal products sector are Van Leer (steel drums) at Ellesmere Port, BICC (cables) at Warrington, Stirling Greengate (cables), Rylands-Whitecross (wires) the Locker group (wire cloth and perforations), TI New World (gas cookers) and Simon Vicars (food industry machinery). Hobart Engineering (industrial dishwashers) is at Widnes.

Food and drink giants are well spread, despite the concentration of three major brewers and bottlers - Bass, Greenall Whitley and Tetley Walker - in and around Warrington. Adams Biscuits is at Northwich, Baxters Butchers at Chester, Golden Wonder Crisps at Widnes, Memory Lane Cakes at Warrington, Moy Park (poultry) at Crewe, while Tesco has large warehousing at Winsford.

The big name in textiles is Chester Barrie, Austin Reed's manufacturer at Crewe, while CWS's drapery and housewares wholesaling business operates from Wilmslow.

Sanitary ware and bathroom equipment comes from Twyfords at Crewe and Ideal Standard at Middlewich. In the construction sector, Tarmac Top Mix works out of Macclesfield sand quarries. Ilford, part of Ciba Geigy, makes photographic papers and nuclear plates at Knutsford.

In computers, electronics and electrical engineering, only United Peripherals and Siemens appear to employ more than 500, but this should not be taken to imply structural weakness. Cheshire is homa for nearly 200 businesses in the sector, mostly expanding ones.

Indeed, the picture is similar in all other sectors, with under - usually well under - 15 per cent of people employed in large organisations.

Hundreds of medium-sized and small businesses give Cheshire an overall entrepreneurial drive which, according to leading accountants and venture capitalists, has made the county one of the most fertile areas for management buy-outs in Britain.

This is securing the future of older established family firms and putting decision-making control of others into the hands of local managers.

At the same time, there has been an inevitable explosion of businesses offering services to the companies and industries around them. Many of these are in themselves small, but often with impressively big clients.

There is certainly no need for Cheshire businesses to look outside the county for a wide range of services, from management consultancy to graphic design, or from accountancy to PR and advertising advice.

It is possibly because of the large numbers of smaller businesses in Cheshire that smaller service companies will thrive, if only because their overheads are in a similar league and more affordable.

In the 1981 census, professional, scientific and miscellaneous services accounted for 27 per cent of Cheshire's then 358,000-strong workforce. Distributive trades, fuelled by Warrington's position at the crossover of the M6 and M62, employed 12 per cent.

Between them they had brought in nearly 30,000 new jobs compared with 1971. The 1991 figures will probably show no lessening of the trend.

Ian Hamilton Fazey

Laboratory work at ICI's pharmaceuticals research division headquarters at Alderley Park

Vigorous planning policies are creating change

Work on the Gresford-Pulford By-pass, on the Welsh border near Wrexham, part of an eventual link between Chester and the M54

Controversial course

CHESHIRE'S County Planner, Mr John Collins, has a highly-visible maxim in his office on the top floor of Commerce House, Chester, where planning is interpreted as everything from employment promotion to building conservation.

The maxim reads: "Constant change is here to stay." It summarises the approach of an avowedly pro-active officer in an often reactionary county.

Mr Collins enjoys the luxury of being able to float ideas without having the final responsibility for development control (a district council task). He believes in creating the climate for change to happen positively so that the most benefit can be sought, rather than resolutely blocking development until it is imposed after planning appeal.

In a county where, as a local architect put it, "You can't take a step without generating interest," Mr Collins cuts a deliberately controversial course. He is sure enough of his ground to play devil's advocate for the developer while encouraging a wholesale listing of historic buildings across the county by his conservation officers.

His attitudes also work retrospectively. He defends the breaching of Chester's Roman walls by the inner ring road (a city council initiative before local government reorganisation using Mr George Grenfell Baines as consultant) but laments the seven-storey excrescence of Commerce House itself, wedged beside the Cathedral and the Town Hall on the Chester skyline.

John Collins is not against seizing chances. He has been pushing Chester City Council to rethink Green Belt policies in the light of demand for business park sites - a rethink which is reflected in the revised draft local plan published this month.

He believes that the continuing success of Manchester Airport is creating an unrivalled development opportunity in the nearby Cheshire countryside - where, he says, everyone wants to build (as opposed to nearby, depressed Wythenshawe).

Mr Collins was among those who pushed for Refuge Assurance to relocate at Wilmslow, not because that would deprive Manchester of a major employer but because he was convinced that Refuge would make excellent use of the parkland site on offer, creating another attraction in North Cheshire. He claims in any case that Refuge would not have relocated outside the city if Manchester had been able to find them a comparable site.

"The quality of environment created by growth is more important than the discussion as to whether or not it should happen," Mr Collins says.

Cheshire's planning officer is also very much in favour of the Tesco/Marks & Spencer proposal for a superstore at Handforth on the Stockport boundary (one of the Manchester area out-of-town shopping schemes waiting for a decision from the Environment Secretary) because this carries with it the promise of finance for the Wilmslow bypass.

Lest he be accused of preying off Manchester - over shopping, office space or airport development - Mr Collins advocates the same sort of approach to Chester. He believes the city should continue to grab the unusual opportunity offered by being a development area as well as an historic city.

If this means setting aside more land for business parks, housing and retailing (without jeopardising the core areas), then so be it. He suggests that Chester could stand up to 600,000 sq ft of additional out-of-town floorspace complementing existing shops, something definitely not reflected in the revised local plan.

Such attitudes, he admits, lead to "productive tension" with colleagues in the district councils. "The districts think I am too entrepreneurial, but I feel that planners should be seen as encouraging people.

"The question we should be posing to investors is 'Are you good enough to develop in Cheshire?' It ought to be a challenge they can respond to."

Robert Waterhouse

Affluence and land reclamation work reveal an East-West divide

Nurturing skills and industries

CHESHIRE'S overall employment profile mirrors that of Britain. But the county is decidedly not Middle England. Blanket figures muffle a divide whose starkness is no less evident in that it is geographically East-West rather than North-South.

To put it in simple figures, Macclesfield borough's population of about 150,000 included just over 4,000 unemployed in January 1988; Halton district's 122,000 reported more than 9,000 jobless.

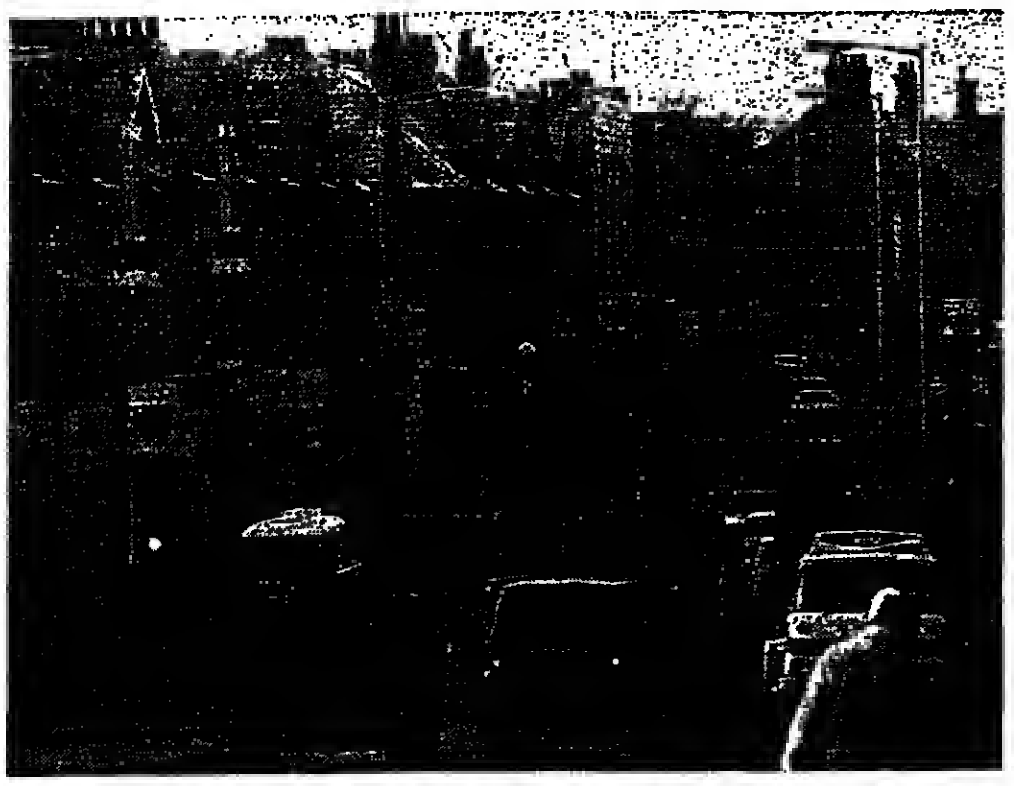
In travel-to-work area terms, Macclesfield's male unemployment rate was 7.8 per cent; Halton's stood at 20.9. The ratio of unemployed to job vacancies was 4.4:1 in Macclesfield, 24:1 in Halton.

Macclesfield borough covers the north-easterly section of the county, spanning the Cheshire Plain and the Peak Park.

Macclesfield is a textiles town but the other major centres in the largely rural area - Wilmslow, Poynton and Knutsford - are wealthy commuter suburbs for Manchester.

Halton district comprises Widnes and Runcorn, both sizeable towns facing each other across the River Mersey and the Manchester Ship Canal. Widnes remains the heartland of the UK chemicals industry, together with ICI's Runcorn production plants.

Other commercial activity in Runcorn is centred on the industrial areas created by Warrington-Runcorn New Town Development Corporation.



Ellesmere Port: in one of the country's most capital-intensive industrial areas

Taken with Ellesmere Port and the Stanlow refinery complex, Halton vies with Teesside for housing the dirtiest and most capital-intensive industry sectors in the country. It has a massive land reclamation problem, both in terms of acreage and the residues left by decades of crude chemicals manufacturing.

Halton district council's teams, backed by Cheshire County Council, have made major progress, spending some £20m of derelict land grant in the last five years.

Projects include a golf course on a former chemicals dump, the Spike Island recreation area beside the St Helens Canal, and the 30-acre site of the Bowers Business Park, where ten acres have already been sold for retail warehousing.

Halton's image deficiencies - reinforced by all-too-apparent realities - are being addressed by a private-sector grouping, the Halton Development Association, whose task becomes more crucial as the wind-up date for Warrington-Runcorn Development Corporation approaches.

The corporation's £1.6m promotional budget and data-based tracking of investment sectors seem unlikely to be sustained after mid-1989. For the present, companies queuing up to move to Manor Park, Runcorn, include those expanding within the New Town as well as those arriving from without.

Graham Sanger: industrious self-help

There has been a slight drop in unemployment within Halton since January 1986, which suggests that the slimming-down process has finished for the moment.

A survey conducted by Halton council in December 1987 showed that 51 per cent of major employers expected to be taking on labour within the next six months. Most of the others (46 per cent) forecast a stable outlook.

Another encouraging aspect to emerge was the arrival of new-generation chemicals companies attracted by labour skills and development area status. The issue of Runcorn's ageing deck-access housing, and its concentration of social problems, has to be resolved in the context of the new Housing Bill.

Halton has shown as little enthusiasm for acquiring this reponsibility as it did when Runcorn and Warrington New Towns were amalgamated.

Despite great progress in rehabilitating older terraces, and some popular new private estates, the borough sees much of its workforce disappearing each night under the M56 to Frodsham and beyond.

In Macclesfield, the reverse applies. Everyone wants to live there. Statistics published recently by the borough council show Macclesfield to be high in home ownership (68 per cent), car ownership (70 per cent of households, of which 28 per cent have two cars) and social categories (27 per cent of households have an AB head).

Macclesfield came top of Prof. A.G. Champion's index of affluence in the North West, and 38th in the country as a whole, on a par with Hemel Hempstead, Reigate or Andover in the South of England.

This index says a lot about the North-South divide, but it leaves a lot unsaid about the local conditions.

The reasons behind Macclesfield's affluence are more complex, and more provocative, than a simple study of employment patterns and car ownership.

According to Mr Graham Sanger, director of Macclesfield Business Ventures, the local enterprise agency, the borough's affluence has little to do with stockbroker belt housing at Mere, Alderley Edge or Prestbury.

It is, he claims, almost entirely the result of industrious self-help by small businesses which emerged from the recession years before other parts of the North West.

The 1981 census showed Macclesfield with 115 companies of 100 employees or more out of a total of some 2,500 businesses, whose average payroll counted just 7.4 people. Mr Sanger reckons that since the census major employers have just about held their own while small businesses have mushroomed to between 5,000 and 7,000.

Why is Macclesfield different? "It must be in the water," Mr Sanger suggests, pointing up a lack of current research information.

More seriously, as a silk town Macclesfield saw depression before the Second World War, has been down a long way, but learned to recover.

Its relatively small mills - compared with the cotton towns - bred a close support structure. These crafts have not been lost, and even today there is a preference to spend hard-earned money with businesses registered in the town.

By contrast, the affluent householders of Prestbury are only too happy to employ Macclesfield companies to sort out domestic needs. Mr Sanger points out that DIY warehouses have yet to make an impact on the traditional ironmongers and builders' merchants of Macclesfield.

As in most successful areas, tha pressures are growing on land and job skills. Macclesfield is lucky in having a business park at Tytherington and an industrial area at Lyme Green for forseeable expansion.

The situation is more hectic in Wilmslow, where office rents are comparable with Manchester city centre, and where the conflict between residents' concepts of "village" life and expansionist businesses cause all sorts of headaches for planners.

On the skills front, Mr Sanger claims that there is no need for a two-year YTS scheme in Macclesfield because almost all trainees hava permanent placements within a year.

Similarly, the enterprise allowance is used for effective business generation with a failure rate of only one in eight, adding to an above-average figure of 13 per cent self-employed throughout the borough.

Obviously, Cheshire's attractive commuter belt, where house prices have been rising almost as rapidly as in parts of the South East, is integral to the revival of Manchester's commercial ambitions.

But the lesson of Macclesfield has more relevance for the North West and other emerging regions: by nurturing their own people, skills and industries, and by being deliberately parochial when it comes to spending, quite ordinary communities develop extraordinary strengths.

Robert Waterhouse

Environmental heritage

Listing buildings with enthusiasm

OLIVER BOTT, Cheshire County Council's conservation specialist, personally visited 1,350 buildings during a comprehensive survey of Cheshire's historic buildings between 1982 and 1985.

Mr Bott says he faced a hostile reception in fewer than ten visits - the main problem was fending off cups of coffee.

The result of the survey, in which council staff acted as agents for English Heritage, was to place 2,965 new buildings, most of them rural, on the official list. A further 1,350 properties were resurveyed.

With 2,060 firmly in the list and not thought to be in need of resurvey, this has brought the tally of listed buildings in Cheshire to 6,375. At the time of local government reorganisation in 1974 the figure was 1,915.

Up to 1974 only Chester had been surveyed in detail, and this was reflected by its 716 protected buildings, compared with the next biggest concentration of just 43. Now Macclesfield has 328, Warrington 266 and Nantwich 191.

Equally important, rural properties outnumber urban buildings by roughly five to three and some 45 parishes have more than 25 entries.

In this spate of listing there is a central, serious shortage: grant aid. Listed buildings impose maintenance responsibilities on their owners which are never cheap.

Cheshire's grant fund, hit by the squeeze on local authority finances, dropped from £58,740 in 1974 to a mere £29,369 this financial year.

Inflation-corrected, the fall has been from £29 to £1.16 per listed building. In fact, Cheshire allocates just 0.010 per cent of its budget for listed building grants.

Fortunately, the grant aid available from central government via town schemes in Great Budworth, Knutsford, Macclesfield, Nantwich and Sandbach, has multiplied over the years.

During 1986-7, £168,350 was spent in the five schemes, half of which came from owners and one quarter from Whitehall, with the borough councils contributing rather more than the county to the remainder.

In this climate of private enthusiasm but public austerity, much conservation progress depends on coordination by civic societies, and by bodies such as the Cheshire Landscape Trust, the British Trust for Conservation Volunteers, or Groundwork, the national environmental trust operating through local bases.

Groundwork's five-year experience at Bollington, near Macclesfield, has been encouraging enough for it to be invited into Vale Royal Borough by the district council. The organisation's small professional staff specialises in squeezing grants out of authorities and contributions out of local industry for a range of projects.

Community support is offered free, but Groundwork bolsters its resources by selling professional services to industry at commercial rates.

Last month, Macclesfield Groundwork Enterprises received a Royal Society of Arts Better Awards for Industry commendation from Prince Charles for work done at its own base of Adelphi Mill in Bollington. Groundwork took over the mill gate-lodge in a derelict state,

The 100-year-old Anderton Lift, which is being restored to working order, raises and lowers boats 50ft between two waterways

creating a combined visitors' centre and offices.

It was also responsible for landscaping the surrounds of the mill, which had been left vacant by Courtaulds. The mill had been bought by a local company, Belprop, which proceeded to convert it into a hive for small businesses.

Today, more than 300 people work at Adelphi Mill, and Belprop is set to convert the last remaining section into a hotel.

Mr Walter Menzies, Groundwork's director in Macclesfield, says that the change in attitude brought about in Bollington by the Adelphi success story is remarkable. Five of the town's eight imposing stone-built mills had already disappeared, some as hardcore for the M6 motorway.

Now, however, another private company, Cleveland Investments, is poised to convert Clarence Mill, a fine listed structure even bigger than Adelphi and seriously neglected in the past.

Groundwork is in the process of establishing a heritage centre in Knutsford, where it runs a separate team. The move into Vale Royal comes about because the district council has acquired the magnificent former Lion Salt Works building at Marston, near Northwich, where it plans to create a living salt works museum. Groundwork will take over the former Lion Inn and saltworks office to set up a visitors' centre and create some momentum.

The nearby Anderton Boat Lift, currently being restored to working order, will link the north and south Cheshire canal rings.

Conservation is a way of life in Chester, where the city council has been levying a special rate for 17 years. It is about as long since the city was listed and the late Sir Nikolaus Pevsner claimed, in his *Buildings of England* series, that 95 per cent of the black and white buildings were clever Victorian fakes.

Pevsner asked whether The Rows were essentially medieval. Recent work by Chester's conservation officer, Mr Andrew Brown, has shown that indeed they are.

Further investigation of The Rows has revealed much of the structure of early 13th century great halls set deep behind the facades of Watergate Street and Bridge Street.

Some of these apparently humble stone interiors had been used all the time as storerooms by shopkeepers.

According to Oliver Bott the rooms, available to knowledgeable shoppers at Owen Owen or In Design, are unique in Europe.

Mr Bott's team made some interesting discoveries of their own during the process of listing. One was at Lower Carlton Hall where the roof structure turned out to be of 14th century crown post design.

And in a bedroom of a 17th century Acton Bridge farmhouse his archaeologist found walls covered with naive murals showing the since-demolished Marbury Hall.

Robert Waterhouse

Transport links and environment boost demand for property

Focal point for development

Canalside homes at Marina Village in Runcorn

THE HIGH QUALITY of the environment that drew light industrial and high technology companies to spread down the M4 corridor in the South is now working to draw them into Cheshire.

A dense motorway network and proximity to Manchester Airport are providing the communications infrastructure that is a prerequisite of major development.

The development is not general - nor, indeed, would the planners want it to be with Green Belt land to protect - but there are signs now that is spreading out of areas favoured by special tax concessions.

Last year, the chartered surveyors King and Co carried out a survey in an attempt to identify latent demand and found that there was a potential take-up of half a million square feet, with a preference expressed for the area south of Manchester. This demand is now coming through on to the market.

Another focal point of development has been Runcorn-Warrington New Town, into which 150 companies moved last year, but Grimley, the chartered surveyors, warns that its New Town status expires in 1989 and this should lead to more demand in other centres. One such centre is Chester; a second is Crewe.

What is happening is an intensification of development that started a decade ago. Part of this was the Birchwood Science Park in Warrington, established in the 1970s, and the early presence there of British Nuclear Fuels and the UK Atomic Energy Authority. This helped to draw in other, smaller companies.

Many of these companies have grown and have sought larger premises. Now the high tech movement is more widely spread, reinforced by the movement of companies into the area.

This is enabling, for example, Bovis Construction and Intercity Property Group to plan a 300,000 sq ft high technology business park at Didsbury, south of Manchester, that would be geared towards the information-based industries.

The wider demand for high technology business park accommodation is behind Chester Business Park, which Alfred McAlpine Properties is developing on 135 acres. It has drawn in St Michael Financial Services, the Marks & Spencer subsidiary, Shell Chemical and Videcom, tha computer terminal and communications systems design and manufacturing company.

Now Crewe and Nantwich borough council and Cheshire county council are seeking to exploit the demand for space by establishing Crewa Business Park on a site of 87 acres. The first stage of work to open up the site, provide an infrastructure of basic services and establish access roads, should be completed by next June.

Since the Government issued a New Use Classes Order last year, the division between industrial and office premises has been eliminated, so that high tech accommodation can be a synonym for offices. Hence the popularity of tha term "business park."

But according to Mr David Cotton, development director of the Carroll Group, there is nonetheless "presently a shortage of good quality new office space in this (Runcorn-Warrington) part of the North West, and substantial unsatisfied demand is confirmed in a number of recently-pnblished independent survey reports." And not only in Runcorn-Warrington, of course.

The Carroll Group is investing £43m in Runcorn-Warrington, buying both existing property and land from the Development Corporation. It is planning a corporate office park and the continuation of a building programme, designed hy the Development Corporation of advanced business units.

This sort of private sector investment should go some way towards maintaining the momentum of growth at Runcorn-Warrington, where in recent years some 850 companies have arrived and 12m sq ft of space has been taken up. The withdrawal of public sector money, with the demise of the Development Corporation and the progressive disposal of its assets, could leave a funding gap unless there are more deals of the Carroll type.

In sonth Manchester, by contrast, development of the husiness space market has been in the province of the private sector. Much of the space that has been provided for the growing office market has come from local companies and only recently has there been mnch indication of interest by institutional investors.

Orhit Developments, for example, has been active in the Wilmslow area with office and high tech schemes and recently let a 40,000 sq ft development to the Trustee Savings Bank. Swinton Goddard is another company which has completed office developments, this time in Sale.

The area south of Manchester has been leading rents in the area npwards towards £10 a square foot as demand has been outrunning the space available.

"The most significant feature in the South Manchester market has been that the last dozen new developments have nearly all been taken up by single large space users," say Dunlop Heywood, chartered surveyors.

"During 1987 just nine of these large-scale users shared a take-up of newly built prime space of nearly 200,000 sq ft, and many of the buildings were pre-let or secured during the building phase," Dunlop Heywood says.

Although much of the attention in recent months in Cheshire has been on the provision of business space, the retail sector too has been active. The county has shared in the national boom of retail development and the thirst for space has led inevitably to higher rents.

As an indication of this, last autumn Scottish Metropolitan Property let six retail warehouse units, 140,000 sq ft of space in all, at Chester on rents of up to £6 a square foot. This was thought to be the highest ever paid in the North of England for any non-food retail warehouse park.

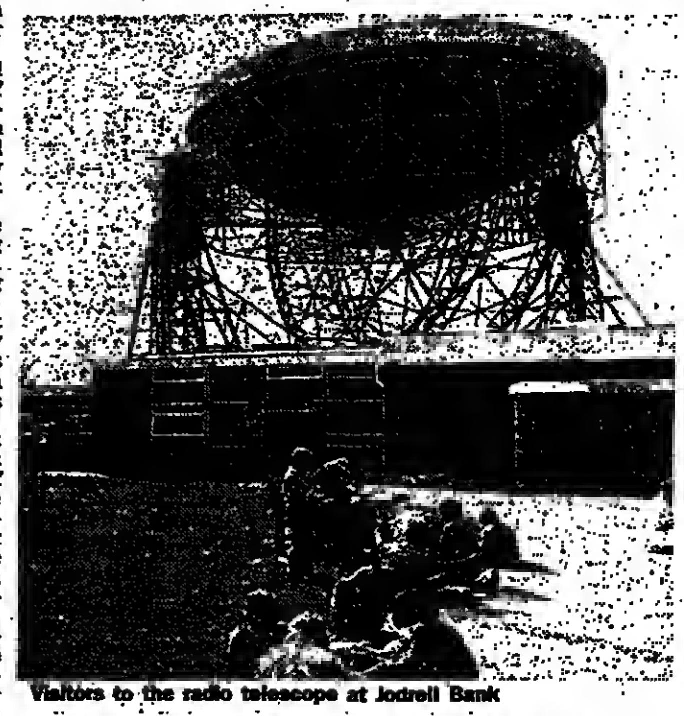
Yet the retail sector in the smaller centres of the county is inevitably overshadowed by the plans for major shopping centres in the Manchester area, the scheme for a massive injection of shopping space in the Liverpool docks and for a major new park on Deeside on the site of the old Shotton steel works.

Everything now is in the balance with the focus of attention on the planning inquiries which have been taking place on the Manchester proposals. But retailers in Chester have reacted strongly to the Tarmac proposals for Deeside.

Paul Cheeseright

Tourism

Sector with the biggest potential



Visitors to the radio telescope at Jodrell Bank

THERE IS a realisation in Cheshire that tourism is the sector with the county's biggest potential.

After years of scepticism people are beginning to agree that, properly managed, tourism can reinforce a virtuous circle of improved environment and better amenities which should bring equal benefits for residents and visitors alike.

As an industry tourism has been slow to catch hold in the county as a whole because, Chester apart, there is no single place where people instinctively head. And Chester, for all its interest, tends to be a half-day stop en route to the Lake District or North Wales.

Though nobody had paused much to think about the rest of the county, Cheshire's countryside spans 2,000ft hills in the Peak District National Park and some of the most typically English rural scenery, unspoilt by EEC incentives.

Its industrial past is a unique heritage in the process of being carefully restored and explained. The challenge lies in marketing such diversity.

Between them, the North West Tourist Board, Cheshire County Council and the district councils have agreed a marketing plan which is already showing results at trade fairs.

Cheshire is, as a constituent member of the tourist board, part of the Northern Consortium of tourist boards which promote Manchester Airport as an alternative gateway, particularly for North American visitors. The south sida of tha runway on which they land is indeed Cheshire.

There is no shortage of information. Cheshire's Countryside and Recreation Department, market leaders in setting up country parks in the late 1960s, publishes a series of readable guides to the parks, trails and themes which abound. The guides supplement a 50-strong ranger service, whose current philosophy is to encourage visitors to use maps and explore for themselves.

County council information is supplemented hy the districts - for instance, Macclesfield - which market themselves as the Cheshire Peaks and Plains. And there are an increasing number of places to stay as farmers' wives turn to bed and breakfast or furnish self-catering cottages to bolster reduced earnings from agriculture.

In comparison with York, Chester may be a major shopping success but runs a poor second in attractions for the visitor despite its blne-chip history. The city hopes to change this with the £12m Deva Centre, on the lines of York's Jorvik Viking centre, and based around the half-excavated Roman amphitheatre.

It is a controversial scheme, involving demolition of a listed building which presently sits on part of the amphitheatre, and awaits the Environment Secretary's decision after a puhlic inquiry.

With marketing the key to tourism promotion, it is perhaps surprising that the Chester Marketing Bureau, a private company backed by the authorities, ran into financial problems at the end of 1987 and is currently in liquidation. It seems the bureau attempted to operate on too wida a spectrum of activity.

Talks are in hand to replace it with a new organisation, jointly funded by the public and private sectors, whose sole remit will be promotion and marketing. Meanwhile, the city council has reopened the tourist information centres and the North West Tourist Board is keeping marketing initiatives intact.

In terms of current tourism projects receiving North West Tourist Board and and English Tourist Board grant aid, Cheshire has a £78.8m programme. This breaks down into £10.6m for schemes opened in the last six months, a further £30.5m for those under construction and £38.2m on 17 firm projects. A further 24 are at preliminary proposal stage.

Put alongside other North West counties, the figures are not impressive. Lancashire, for example, has a £128.6m programme, including 13 projects worth £84.4m under construction. Merseyside's total is £226.5m, while Greater Manchester has £318m tourism investment in hand, of which some 17 firm projects are worth £222.2m.

Tha North West Tourist Board's director, Mr Stuart Mitchell, warns against tha danger of assuming that Cheshire is doing badly. "You have to compare like with like. A lot of the Merseyside investment comes via the development corporation. Manchester is a major, dynamic commercial centre. Both qualify for a range of grants often exclnded from Cheshire. The county, centred around Chester, in fact has a very buoyant tourist industry."

The breakdown of investment within Cheshire shows, as one might expect, that Chester itself is attracting the greatest share (£40m). However, Mr Mitchell believes that the other districts are poised to benefit. "They are conducting strategic surveys which seem likely to pinpoint suitable sites for acceptable development. Then right type of investment will come along."

Research suggests that Cheshire claims about 13 per cent of the North West tourist cake. During 1985, the last year for which figures are available, between £65 and £75m was spent by visitors to the county, of which £31m represented overseas tourists.

Estimates suggest that 25-30,000 jobs in the county now depend on the tourist trade. It is a number which is sure to be swelled as Cheshire raises its profile in the South East (weekend breaks) and the West Midlands (day visits).

Communications are so good within the region and with North Wales that it makes sense to market the county in a package which can include holiday resorts, mountains, castles or big cities. As for the county's industrial heritage - like Macclesfield silk, Northwich salt and Widnes chemicals - the growing professionalism of the North West at presenting its past will help provide coherence and reinforce standards.

Cheshire sees its canal rings - opening to Langollen on the one side and Manchester on the other - as an exciting tourist prospect, particularly when the Anderton Boat Lift linking the two systems becomes operational again.

The county's special place in canal history has already been recognised hy the National Waterways Museum at Ellesmere Port. Projects within assisted areas qualify, of course, for European Commission monies channelled by the Mersey Basin initiative.

One such hopeful is an £18m bid for a marine leisure centre on the tidal River Mersey at tha point where it hroadens out inland from the Runcorn-Widnes road bridge.

As a pot-pourri of attractions Jodrell Bank, Mow Cop, Little Moreton Hall, Tatton Park, Styal Mill and the lived-in conntry houses, together with unspoilt town centres such as Nantwich and Knutsford, offer a challenge to other counties. The countryside is patchworked with footpaths, inclnding the Sandstone Trail from Frodsham to the Shropshire border and the Gritstone Trail from Lyme Park to Staffordshire.

Mr Anthony Goldstone, chairman of the NWTB, says that the parochial interests inherent in tourism must sink their differences to fight the overall cause.

"Industry and tourism are one and the same," he claims - with the proviso that tourism, especially in the North West, is also fun.

Robert Waterhouse

Small businesses

Success from on the spot advice

ANYONE who doubts the strength of the small businesses movement Britain in the 1980s should go to Macclesfield.

There the number of small firms (with anything from one to 50 employees) has doubled in the last six years to more than 5,000. They make a living by doing almost anything from servicing mill machinery to designing notepaper.

A common thread linking these Macclesfield entrepreneurs is that a lot of their business comes from within the local economy; it is by any standards a vigorous small business community. In a number of respects the town is a model for the small business movement throughout Cheshire.

This success in Macclesfield has more than a little to do with the nature and history of the town. It is a comfortable place in pleasant countryside between the Cheshire plain and the Pennines. Well separated from the great manufacturing areas of the North West, it has traditionally been accustomed to looking after itself.

Macclesfield's prosperity rose and fell with the fortunes of its silk industry. Mr Graham Sanger, now on secondment from his executive job with Shell to run the local enterprise agency (Macclesfield Business Ventures), believes that dependence of a free-standing community upon a single industry caused the townspeople to begin thinking long and hard about their future as far back as the 1960s when the silk trade's decline was beginning to be painful.

The Macclesfield agency has pursued a policy of sturdy independence which seems to suit the style of the place. The agency manages on an income of £32,000 a year entirely contributed by 40 local sponsors - representing industrial and commercial concerns, wholesalers and retailers, banks, and service sector companies.

Most unusually for a local enterprise agency, it does not take a government grant of up to £20,000 a year that is available to it. "We believe it is worth sacrificing that cash for the independence we preserve," Mr Sanger says.

"Under our present system of direct help for small businesses by the local business community our sponsors can directly dictate terms. The agency can act decisively and fast for the benefit of the local community. We are not risking anyone else's money."

The largest single group among clients asking the agency for help and advice is made up of individuals already employed by companies which are ambitious to create their own businesses.

Mr Sanger says that their most pressing need is alweys good advice. The agency makes a special point of giving priority to business counselling. That demand keeps busy a staff of three full-time and four part-time counsellers together with a panel of consultants drawn from local businesspeople.

The Macclesfield agency is housed in an old silk mill which is one of Cheshire county council's business generation centres. Space for small businesses and training is provided in the building together with secretarial services.

Mr Monty Cordwell, the county's employment promotion officer, explains that the Macclesfield centre, and others like it using refurbished old buildings throughout the county, is the practical result of Cheshire's policy decision to help small businesses to get started in cheap premises.

"In the late 1970s we became painfully aware that a shortage of such premises was holding back enterprise."

The concept of the county's business generation centres can be summed up as: "Easy in, easy out." The council says that its brainwave of having the local enterprise agencies base themselves in the centres, and help look after them, has proved both successful and extremely cost effective.

In unemployment terms, Cheshire has its black spots and its white spots. Broadly speaking, unemployment is highest in Chester and the west of the county (distorted to some extent by the very high unemployment on adjacent Merseyside) with rates of well above ten per cent.

However, on the other side of the county, in Macclesfield and nearby areas, unemployment is only 6 per cent and the ratio of the number of unemployed to job vacancies is only four to one compared with the county average of 11 unemployed to every vacancy. Throughout the county a mismatch between unskilled unemployed and vacancies requiring specific skills is becoming very clear.

However, the active programme of helping small businesses find their feet is proving effective in both the difficult areas of Cheshire and the more fortunate areas. The council is now offering a wide range of services aimed to help the budding small business.

The county's business advisory service offers, like the local enterprise agencies, individual counselling. A business location service can provide full details of offices, factories, warehouses, and industrial sites available in Cheshire. That service is also being used by companies in other parts of Britain and overseas which are thinking about establishing themselves in Cheshire.

Another service called Contact Cheshire brings together people with expertise or money to invest. And, through a computer link with Brussels, the county is providing free of charge details of all European Community public sector contracts worth over £110,000 within one day of publication. About 25 per cent of the contracts are British.

Overseeing the small business movement throughout the North West is the Department of Employment's Small Firms Centre in Manchester. The regional manager, Mr Richard Curry, says: "We believe that the best help for small businesses comes from the local level - which usually means via the local enterprise agencies. His office helps the local agencies by providing specialist counsellors and free publications.

The growth of the local enterprise agencies in the North West has been remarkable, Mr Curry says. The movement has gathered impetus more quickly than in any other region of Britain. Six years ago only four such agencies were operating in the whole of the North West. Now there are about 50 in the region - ten of them in Cheshire.

The Manchester centre has been building up a database over the past three years which can provide in minutes the answers that an aspiring businessman or woman might otherwise seek for weeks. It can instantly check the funding available to a particular case at national level, county council level, and local authority level, and can offer suggestions about other financial sources that might be tapped.

The whole emphasis of the agency is on advising business. Mr Curry says: "We are not a jobs creation agency; we are a business advisory agency."

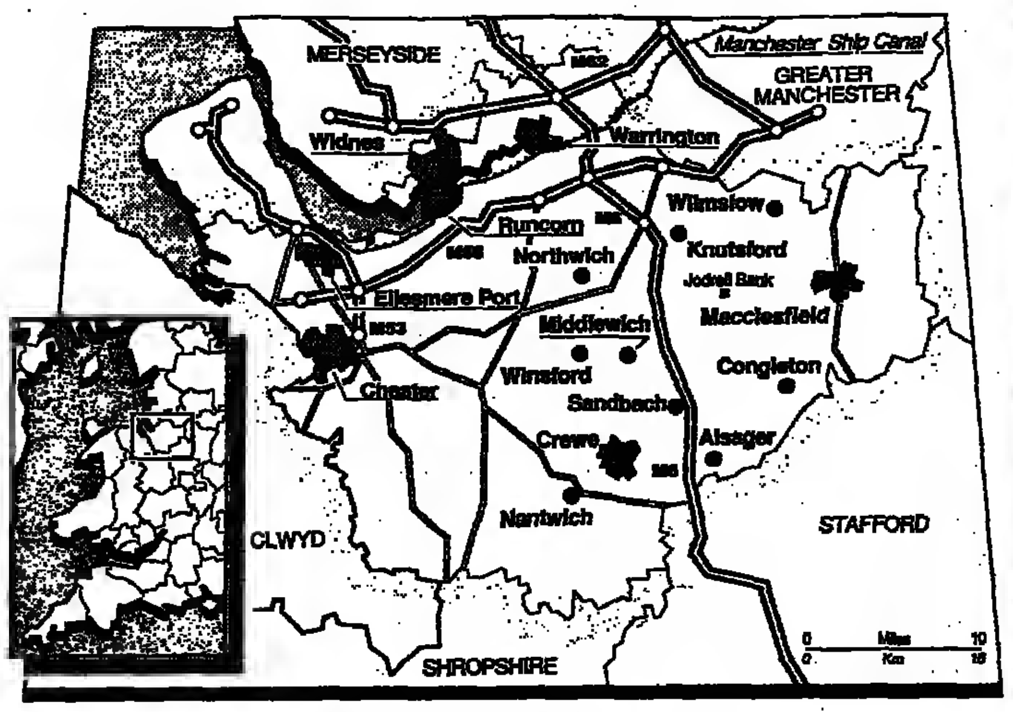
Indeed, the centre in its present form has its roots in the business problems of the slump in the late 1970s. "People were bringing business problems to the existing government small firms service which it was not equipped to handle," Mr Curry says.

Out of the problems of that time came the concept of helping businessmen mainly by expert counselling - the counsellors themselves being drawn from the ranks of industry and commerce.

So far this year the Manchester centre has monitored a big increase in inquiries, in particular from people wanting to start new businesses. The enterprise agencies in the districts of Cheshire confirm that trend. One theory being advanced for the record number of inquiries is that pressures on skills, housing and business premises in the south of England are now encouraging businesses to look north again.

The business advisers in Cheshire, facing their busiest year ever, can now offer a better service to aspiring businesspeople than ever before because they are working together as a network. "Our success in the generation of small business will grow," says Mr Curry, "because we are getting it right at local, county, and regional levels. Our network is tightening all the time."

Roy Hodson



Shopping in Chester: tourists swell the numbers visiting the city

Whitehall aid is turning Chester into a strong regional centre

Benefits from grant support

IN NOVEMBER 1984, to the surprise of many, Chester became part of a full development area. It was somehow a shock that this ancient and attractive city needed development status, and it symbolised the plight of the North West as a declining region.

The reality was different. Chester had its problems, certainly, but they were no worse than other corners of the region struggling to maintain intermediate status.

Chester became a development area because, for some bureaucratic reason best understood in Whitehall, it was parcelled with the Wirral as a travel to work area. Chester benefited from Birkenhead, and still does.

Development area status, with its automatic grants, has proved the catalyst which is converting Chester from a small-scale York into e regional centre complementary to Manchester and Liverpool. This change is happening against a background of accepted, and improving, conservation practices.

Chester is not necessarily going for more of everything, but for the better option. It is all, they say, about quality of life.

That is what convinced the senior executives of Shell Chemicals to exchange their daily commuter struggle into Central London for country mansions a mere ten minutes' drive from Chester Business Park.

There is now a serious market for £200,000 properties in the vicinity, where before anything over £100,000 raised eyebrows.

The business park, which also houses St Michael Financial Services - the plastic card arm of Marks & Spencer - has gone so well that Chester City Council are countenancing a second-phase 100-acre site nearby on Green Belt land, albeit beside the southerly by-pass.

On the other side of town, a further 40 acres of Green Belt is earmarked for light industrial and office use at the M53 junction roundabout. The council says that development here will be self-contained, fully landscaped, and of limited environmental impact. Green Belt land has also been earmarked for new housing on both sides of the city.

Chester's excuse for pressing on in this fashion is that development area status, already changing under the Government's new regional policies, will not be around for ever. The employment base of the city is increasingly seen in terms of financial and other services, as a major shopping centre for the county and North Wales, and in tourism.

The city's retail advance started to take place well before 1984. A survey by Hillier Parker and Newcastle University establishing a ranking order of shopping centres throughout Britain by the number of multiple retailers showed Chester leaping from 34th place in 1971 to 14th in 1984, ahead of much bigger centres such as Wolverhampton, Leicester and Norwich.

More recently still, a poll of managers representing 180 funds with combined assets of £17bn put Chester sixth in the list of places they would be most likely to place retail investment.

This reinforces the £9m update of the Grosvenor Centre, and the proposed £26m recast of Mercia Square into speciality shopping, which already has detailed planning permission.

So whet next? Most parties admit that the physical limit to floorspace, and car parking, has been reached in the city centre. Opinions differ about the wisdom, or viability, of a complementary out-of-town centre also based on comparison shopping. The county believe this would work; the city say not.

Minds are likely to be concentrated by a proposal from outside tha county, indeed outside the country. Tarmac are floating the idea of a 750,000 sq ft shopping and leisure complex at the former Shotton steelworks site on Deeside, into Wales but only minutes from Chester. The centre would be perfectly placed to intercept traffic both from Cheshire and North Wales.

Much would depend on whether the new environment could rival Chester's unique atmospbere created by and around The Rows. Shopping and tourism are umbilically linked in the city's historic core. The variety and excitement of Bridge Street, Eastgate Street and Watergate Street is clearly enhanced by the speciality shops which tempt visitors.

But although Chester is on the map of destinations of US and Continental visitors, it could do better. One of its handicaps has been a lack of sufficient quality botels and restaurants, reflecting the fact that four-fifths of visitors come for the day, and that three-quarters of these are British.

It is a lack which is being remedied dramatically. The authorities believe that some 600 bed spaces, mainly in three or four-star hotels, are under construction. The Grosvenor, under managing director Jonathan Slater, is investing £12m in a refurbishment which will make it one of the most luxurious hotels in Britain. Queens Moat Houses are building a 150-bed hotel in Trinity Street. And so on.

Jonathan Slater: £12m hotel refurbishment

One reason for all this activity is the city's popularity as a conference venne, based around hotel facilities. Chester specialises in the 100-200 delegate market, majoring on the attractions of its pedestrianised streets, its historic sites and its closeness to the North Wales mountains and coast.

Chester is also hoping to trump York by creating a new multi-media centre on the site of the half-excavated Roman amphitheatre. The Deva Centre proposal has been though e public inquiry process after meeting stiff local opposition. It would involve, among other things, demolition of a listed building on the site - and up to 1m visitors a year are envisaged.

Can the city succeed in strengthening its employment base, its housing spread, its shopping, hotel and tourist facilities without jeopardising the unique flavour of an historic county town? It is a game Chester has played before, and generally come out in front. But the stakes have never been higher.

Robert Waterhouse

SECTION IV

FINANCIAL TIMES SURVEY

West End and Victoria Property

CONTENTS

Oxford Street rush hour photographed by Roger Taylor

Although confidence in London's property market has taken a knock since the stock market crash, there is still a shortage of commercial space in the West End. This has encouraged development to spread outwards to Victoria and north of Oxford Street, writes **Paul Cheeseright**

Behind the billboards

"SELL CITY. Buy West End" is a piece of advice often to be heard on the lips of the property pundits these days. Like all such slogans, it has enough validity to sound attractive, but not enough to be absolutely convincing.

Yet it does reflect the bounding values of the West End and Victoria on the one hand and the psychological unease that has been evident in the City of London since the stock market crash last October. Having said that, it is worth noting that there were development companies quietly withdrawing from the City and concentrating on the West End even before the stock market crash.

One result of the higher rents and the rising capital values of West End property has been to narrow the traditional differentials between the West End and the City. It is now becoming more accurate to speak of a Central London market, made up of different districts, with footloose companies, financial or otherwise, looking for buildings which suit their convenience somewhere within that wider compass.

One of the distinct characteristics of the West End is that it does not have a huge stock of the large buildings which the construction boom in the City has been devoted to providing. Rather it is a fragmented area, traditionally providing space in smaller lots. And this is inevitable, given the big stock of listed buildings whose use has changed over the last century from opulent homes to office suites.

This quality gives the market a degree of diversity and protection which is unavailable for large footprint buildings in the City. But where there is a large building in the West End – Land Securities's Devonshire House or Legal and General's Lansdowne House, for example – then there is precious little difference between the rental performance that is now expected and what has been happening in the City.

Devonshire House rents have doubled in the last two years and are pushing towards £50 a square foot. Legal and General is expecting rents of around £60 a square foot at Lansdowne House, now being marketed. These are the sort of rents that would sit quite happily in the core of the City.

But there is another side to this and it has come through clearly in the decision of Dares Estates and Shaftesbury to back away from their plans for a 160,000 square feet re-build of the old Crown Agents building in Westminister and sell the building on to Anders Nisses of Sweden.

Not having the resources of a group like Land Securities to nurse the market, Dares Estates decided that the costs involved in the redevelopment were too high to risk in the light of the expected increase of space on the Central London market.

Here, then, was a note of caution, not for this year or even next but for 1990 and beyond. Legal and General can play the market now. Dares Estates has to play it later. And it makes the point that the West End section of the market will not be immune to the effects of a whole new stock of buildings in the City, in London Bridge City, in London Docklands and in the West End and its immediate periphery.

As far as the West End and its periphery are concerned, this is not just a question of replacing old stock, as with Land Securities' redevelopments of the Grand Buildings at Trafalgar Square or Stag Place at Victoria, or on a smaller scale, the Kumagai Gumi redevelopment of Distillers House in Mayfair.

It is also a question of the new development possibilities which have opened up with the Greycoat schemes at Victoria and Charing Cross stations, with the Grainhurst construction at Paddington goods yard, with the plans of the British Weterways Board for Paddington Basin or those of British Rail Property Board at King's Cross.

All of this indicates the intense activity which has been taking place in and around the West End. But there is some indication that the stock market collapse will give some of this activity a different quality from that which it had until last October.

The feverish bull market and the readiness of investors to absorb the paper that property companies were putting out with such abandon spun off into the West End. The ability of the property development and trading companies to lay their hands on ready supplies of cash inevitably pushed prices upwards. It encouraged a strong speculative element in the market, so that some buildings were changing hands three or four times, each price higher than the last.

That sort of froth on the market has largely been wiped off, so that the field has been left clearer for the more serious players. And it has served to emphasise the pre-eminent importance in the market of the long-standing freeholders like the Crown itself, the Grosvenor Estate, the Howard de Walden Estate, the BP Pension Fund and, on different scales in the corporate network, of companies like Land Securities, Great Portland, London Merchant Securities, Peachey Property, and latterly Priest Marians.

Among the problems which landowners such as these have to face, and they have not become less acute over the years, are the planning dilemmas of, most obviously, the Westminister City Council.

The central dilemma for the council is how to reconcile the need to preserve the historic fabric of the West End that, in terms of tradition and reputation, has made the area a sought-after haven for international companies and a major tourist centre, with commercial development pressure.

The first has inevitably led to the second. The historic reputation and centuries of commercial vitality draw companies in, not least from the City of London itself. It is often forgotten that the West End with 75m square feet has the country's largest stock of offices.

But the companies, which provide the economic underpinning for the policies of conservation, are becoming more fastidious in their accommodation demands. A year ago, a survey by Richard Ellis, chartered surveyors, found that nearly 60 per cent of West End office users believed they were making compromises on their premises – they were too small, did not have adequate facilities, they were in the wrong place and so on.

Out of this and the buoyancy of the economy come the development pressures. The Westminister City Council cannot meet them all. Whatever it does will lead to antagonism somewhere, whether it be from local voters anxious to keep things as they are, or dissatisfied developers. There simply is not enough space.

This clash of demands will be most clearly evident in coming months over the state of the temporary office consents granted in Mayfair. These consents expire in December 1990, when 1m square feet of space should revert to residential use. The council is handling demands for a continuation of the temporary consents on a case-by-case basis.

Although the council, helped by bodies like English Heritage, is waging a stern conservationist fight, the whole thrust of planning policy has swung towards giving the benefit of any doubt to the developers. This should ensure that the pace of commercial development in the West End is maintained.

At the same time, especially in areas like Savile Row and north of Oxford Street, the new Use Classes Order which does not differentiate between light industrial and office use in the type of activity which may take place in a particular building, will lead to changes in character. Offices and studios are likely to spread at the expense of workshops. It is all a question of who can pay the most rent.

The pace of commercial development does not mean that there will be new buildings scattered over the skyline in the way that has become common in the City. There are not the large sites available. But it does mean, according to Healey and Baker, chartered surveyors, that "just under 6m square feet of new space will have been provided by 1990.

"Most of the new space under development now is limited in size and there are currently only three office developments offering over 100,000 square feet each," Healey and Baker adds.

Side by side with this office activity, the growth of the West End as a domestic and international tourist area has led to an increasingly frenzied search for new hotel space and a subsequent upgrading in the value of those already in existence. This was clearly evident when Park Lane Hotels International of Hong Kong completed in mid-February the purchase of the Portman Hotel for £110m and indicated readiness to spend a further £15m on refurbishment. It was the largest single hotel transaction done in Europe.

But it came on top of acquisitions by companies like Kennedy Brookes and Edwardian Hotels. It followed the disclosure of schemes by, for example, Ladbroke to bring the Langham, near Oxford Circus, back to hotel use and Imry Merchant Developers to redevelop the St George's Hospital site at Hyde Park Corner as an hotel.

Hanover Druce has noted that, even at the lower end of the market, prices for hotels have been rising fast. One of the factors behind this has been the commercial desire to exploit the willingness of local authorities to pay considerable amounts for bed-and-breakfast accommodation for the homeless.

"Basic rooms in poor locations, provided they are suitable for the homeless, soon command prices of around £60,000 a bedroom," Hanover Druce says. This, then, is the darker side of the vibrancy of the property market, a savage contrast to the other West End residential property market, where prices are higher than anywhere else in the country.

Landmarks

A gamble pays off

TWO LANDMARK buildings in the West End of London typify the conflicting traumas rippling through the market since the dark days of the autumn share prices crash.

Close by the Houses of Parliament, the former Crown Agents building on Millbank has changed hands for the third time in six months. Just before Christmas Mr Peter Levy, chairman of joint developer Shaftesbury, was boasting that redevelopment would be a roaring success because demand was outstripping supply.

He seemed confident it was worth every penny of the £22.5m paid last summer to Raleigh Enterprises, which had been set to develop an hotel. New plans were laid to create 160,000 sq ft of offices behind the Edwardian facade instead.

"Interest already being expressed by potential occupiers may place a premium value on the building when completed in 1990," he said.

Mr Levy is no beginner in these matters; he was head of the UK's second largest development company, Stock Conversion, until it was taken over by P & O. But the major development partner, Dares Estates, with 70 per cent of the building, had different ideas.

By February, Mr Ervin Landau, its chairman, was announcing a profit of £3.5m from the resale to Anders Nisses, a Swedish property group. Mr Landau was worried by the £60m development cost in the light of an increasing supply of office space coming on stream in the early 1990s.

Many agents agree with Mr Levy that there will be too little rather than too much space in future, in spite of potential new supply, and rents will soar. But it is developers such as Dares which have to decide whether to gamble their money.

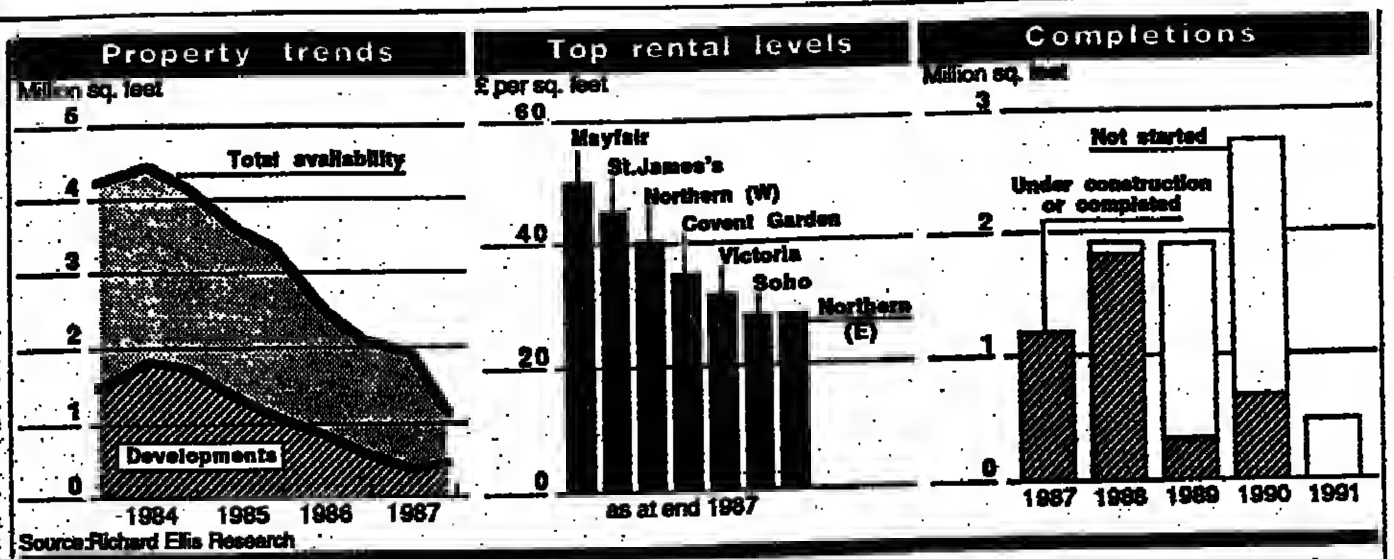
Legal & General Assurance took a gamble on another landmark development, Lansdowne House, which towers over Berkeley Square. It could have been pre-let at a record breaking £40 a sq ft more than a year ago, as the 176,000 sq ft building was the biggest new block in the West End at a time when financial groups were desperate for such space.

But the developer refused to let it go. The stock market crash came and went but the joint agents, Weatherall Green & Smith and Richard Ellis, are now listening to offers of around £60 a sq ft. And it is not just financial groups making the running but professional companies seeking space from 8,000 sq ft upwards.

The gamble looks set to pay off handsomely.

David Lawson

Shaftesbury's chairman Peter Levy (r) with director Jonathan Lane



Source: Richard Ellis Research

Portfolio deals have become more hard-headed since Black Monday

This year's big players will be the overseas investors

LAST YEAR was a blur for West End property investors as stock market paper flew like confetti in a wild binge of buying and selling. Capital values had soared by as much as 50 per cent by the time Black Monday brought the circus to a halt.

Now the field is much clearer, and the remaining players are taking a quiet breather while they assess the future. But there are still plenty of buyers around, encouraged by continuing rental growth and expansion of the non-financial sector.

Even if the big portfolio deals by companies such as Mountleigh and Priest Marians are excluded, the value of investment transactions boomed by almost three-quarters in 1987 to nearly £1bn according to Richard Ellis. The main thrust came from property trading companies, as institutions remained disenchanted with the prices being paid.

"They probably got it wrong," says Mr Allan Hubbard of Richard Ellis. "But the market was getting crazy and it was increasingly difficult to find sensible deals.

"Funds are finding it hard to pay Central London prices. An office block will cost £10m to £15m, which is about half the total value of the average investment fund."

Since the crash, however, some funds have stepped in to pick up buildings as property companies have been forced to sell assets. Others have slimmed down their property holdings to bring them back into a sensible relationship with devalued equity portfolios.

For the first time in 18 months the West End market is seeing a more rational approach to investment and a wider variety of stock, the agents say.

Development rather than trading will be the driving force of 1988, with UK institutions looking for long-term investments — perhaps outside established areas. But they will usually be restricted to smaller lot sizes.

The big players will be overseas investors, who will not blink at big price tags and are likely to have an almost exclusive run at anything at the top end of the market. Schroders of Australia World Property Fund, for instance, paid £12m for Macmillan House in Kensington High Street, while the Crown Agents building in Millbank was snapped up by Swedish group Anders Nisses only last month.

London is part of a global network including New York, Paris and Frankfurt, over which international investors like to spread their assets, says Mr Hubbard.

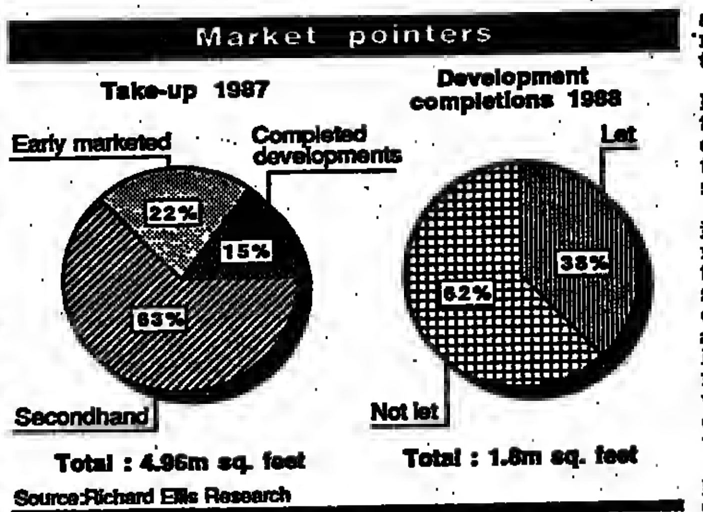
Since the decline in the US, Britain has become more attractive, and in London that means especially the West End, since the stock market crash has cast a shadow over the City.

But the surge of Japanese investor interest has not yet materialised. Prime yields of 4.5 to 4.75 per cent are low by US standards, for instance, and will drift lower as initial base rents are left behind by the rising market. The main role of the Japanese has been as developers, where they ignore the arithmetic of yields in a drive for construction work.

Kumagai Gumi took a healthy profit from the Bournes redevelopment on Oxford Street and can look forward to a big capital uplift in its Distillers House scheme. Meanwhile, De Groot Collis is marketing 15,000 sq ft in New Bond Street developed by Shimizu, the first speculative site completed by a Japanese without a British partner.

Other overseas investors seem set, however, to more than make up any reluctance by UK and Japanese investors. And with large developments planned for Victoria, Paddington, Marylebone and Kings Cross, it is likely that foreign funds and banks will continue to play a starring role in the West End.

David Lawson



Source: Richard Ellis Research

Planning disputes

Hot potato of 'temporary' offices

IT IS not surprising that planning disputes in the West End are a running sore that refuses stubbornly to heal. The roots of conflict are obvious in the City of Westminster, which makes up the heart of the area.

On the one side are the needs of a politically active community of almost 200,000 people and the conservation problems of 10,000 listed buildings. On the other is one of the world's most important office, shopping and tourist centres, bursting with demand for more elbow-room.

The fact that they are all competing for the same space makes the likelihood of peaceful co-existence remote. The local authority inevitably finds itself caught between a rock and a hard place, trying to respond to its resident voters but also realising that business pays the bulk of its rates — at least until finance reforms come into force in a couple of years.

Mr Sydney Sporle, the new planning director, beleaguered by a hefty report from the Chamber of Commerce attacking restrictive policies, now finds himself under pressure from a grouping of the biggest developers in the Westminster Property Owners' Association.

This has firmly set out its stall by picking out conservation policies, delayed planning applications and the problems of temporary office permits as major issues for concern.

Conservation complaints, argues Mr Sporle, could best be aimed at the Government, which lays down the rules and responsibilities for preserving buildings. When you have more historic material than the whole of Bath cluttering up the place, room for manoeuvre can be limited.

Delays in processing planning applications brought Westminster into a clutch of councils criticised by Mrs Marion Roe, the junior Environment Minister. But one Westminster solution — to charge for consultations with planning officers — may not be exactly what developers would choose.

One of the conditions of Mr Sporle's appointment, however, was to speed up the efficiency of handling applications to bring most within the statutory eight weeks. But with 6,000 applications coming in each year, including many complex commercial developments, the room for improvement will be less than with other councils.

Delays caused by political manoeuvres of the opposition Labour group in protest at council housing policies may also prove outside his control.

Waters have also been muddied by uncertainty over changes in the district plan governing Westminster. A public inquiry due last November into the proposed alterations was cancelled by the council, partly to give time to consider the new use classes order, which enables light industrial space to be upgraded to offices.

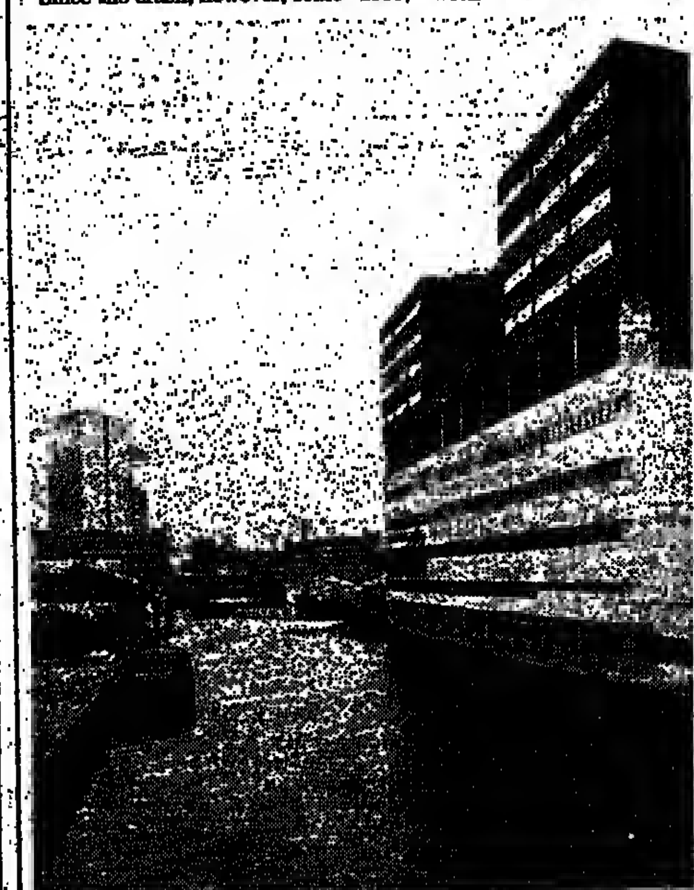
The council remains generally opposed to new offices, according to planning specialists Montagu Evans. It recently removed the light industrial content from the development brief for one of its own sites in Grosvenor Road because it did not want to see a transformation to offices.

But the hottest potato in the planning field is the fight between office landlords and tenants on one side and the council and residents' groups on the other over the future of about 1m sq ft of Mayfair buildings granted temporary office consent since the war.

Planners and residents say that these must revert to homes to prevent a further fall in the population. Owners and tenants want a compromise, saying the policy is unrealistic. Piquantly, it is the Park Lane headquarters of MEPC, one of Britain's biggest developers, that could bring the matter to a head, says Montagu Evans, which acted for MEPC at an appeal against refusal to continue office use.

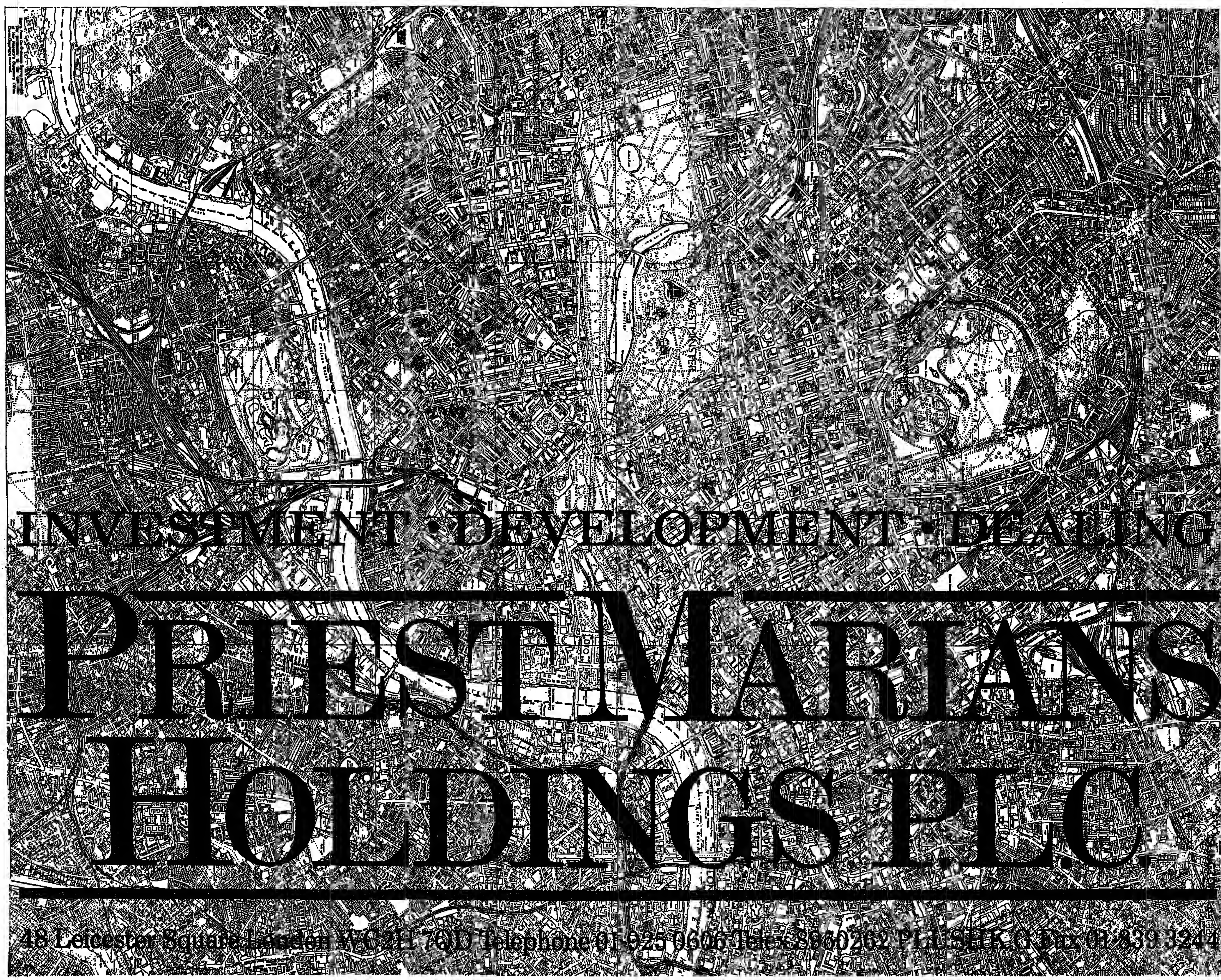
The Government will have to make up its mind which side to back. Either way, it could end up with some powerful critics in Westminster.

David Lawson



Alan Harper

British Waterways has plans for Paddington Basin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A short guide to the residential market

The nearer you are to Harrods, the better off you'll be

LOOK AT the residential property market and you might well wonder where the West End starts and finishes.

The Post Office is not a great deal of help. Go by the post codes alone and you will be looking at properties out in Hanwell, the border borough beyond West Ealing that risks falling off the Greater London map altogether despite its W7 coding.

W4 is, if anything, an even more confusing label since the GPO managed to hang that on Chiswick. Charming though that particular stretch of Thameside suburbia may be, it hardly accords with the traditional Bertie Wooster image of a West End that positively demands the use of capital letters.

A solitary "W" on a letterhead is, then, no real guide to this abstract location, particularly since the exclusion of its diluted forms, such as "SW", would involve cutting West Endish areas such as Chelsea, Pimlico,and even Belgravia from the list.

Much the simplest way of finding the residential West End these days is to draw as tight a circle as you can afford around Harrods in Knightsbridge. They may measure distances to Central London from Charing Cross, but in the capital's residential market – and particularly in the international section of that market – Harrods has, for some years, been the focal point.

The mansion flat canyons of Knightsbridge – where a view of Hyde Park can add 25 per cent to the value of apartments that leave little change out of £400,000 and do not look uncomfortable measured in the low millions – sit at the top of most international buyers' shopping lists, although UK buyers have been giving them a run for their money in the past few years.

The remaining residential streets of Belgravia, those where the embassies and semi-official residences of London's part-time international community have yet to reach, have also been attracting an increasing number of Britain's new-minted USM millionaires and City high-rollers. They join the families with ingrained wealth who can afford, as Cluttons says, mews houses around the £300,000 mark and longer-lease Grosvenor Estate terrace houses from £1.5m or so.

Mayfair, lying across the Park beyond Park Lane, north as far as Oxford Street, and over to Piccadilly and Bond Street lost its residential pre-eminence – except upon the Monopoly boards – long before the creeping commercialisation of its streets. It ceased to be a popular place to live simply because of the exceptional size of so many of the town houses in the area.

Wealthy Edwardian owners could just about muster the staff necessary to make sense of these residential monsters. But they were already slipping into use as clubs, being subdivided into flats, or becoming offices in all but name in the interwar years. Nevertheless, the remaining Mayfair flats do regularly sell for £450 a sq ft, and the moves to end the temporary office use consents that were granted during and immediately after the war should return as many as 100 properties to residential use by the turn of the decade.

But few clerical commuters are going to hand over seven-figure prices for Mayfair flats, and so there is a pragmatic recognition in the council's view that Mayfair has an "unique residential function" providing top-of-the-market housing that may only be occupied for part of the year.

Quite simply, Mayfair's future residential role is hardly envisaged to be that of an oasis of affordable homes for the locals. But then affordability is not a West End trait. According to the figures collated by the London Research Centre from the databanks of the Halifax Building Society, the average price of a property in the City of Westminster in the last quarter of 1987 was £106,900 and that for Kensington and Chelsea was an even headier £113,900, making it the most expensive tract of housing in the country.

Housing in the area around the Palace of Westminster, west into Pimlico, and north to join up with Victoria, benefits from the magnet appeal of living close to both the political centre of the country and the strongly international nature of so many of the companies with offices in Victoria.

The oil majors may have reduced their presence there, but finance houses and associated service companies have taken up the slack, and both sectors have a sufficiently large number of globe-trotting executives to compete with the MPs, lobbyists and senior civil servants who vie for homes in the area.

The traditional appeal of Chelsea's freehold houses, lying beyond the leasehold borders of the major central London estates, is reflected in the constant spread of the name to areas that, by any standards, should really rate as Fulham or Kensington. From £2m freeholds facing the river on Cheyne Walk to £120,000 mini-flats, Chelsea's residents have come to regard themselves as West-Enders, although the increasingly jeans shop nature of the King's Road has tended to shift housing fashions north to the Fulham Road, where renovations rather than mere conversions of the Cranleigh Gardens and Onslow Gardens areas have created, in estate agents' parlance, the "new Belgravia."

Five years of runaway property price inflation in the West End might justify that over-exuberant description of a sizable tract of the lands around and beyond Hyde Park. But one of the more intriguing trends identified by the London Research Centre in its housing cost analysis is that the rate of price rises in the west of the capital has tailed off dramatically in the past few months.

Annualise the last quarter figures for 1987 and it emerges that homes in the West End are averaging a 4 per cent rise in prices against 18 per cent in the East and outer London boroughs. The East Enders, it seems, are catching up.

John Brennan

Land Securities' Devonshire House

The area's office rents are now catching up with those in the City

Government demand helps to fuel 50% rents explosion

THE WEST END is ready to get its own back for the years spent overshadowed by the City of London. Since the slump of the mid-1970s, it has never really matched the glamour of its neighbour, particularly after Big Bang saw demand for financial buildings explode.

But office rents are now catching up with the hothouse levels seen in the City core, and Mayfair and St James's could become the most expensive locations in central London by the end of the decade.

Ironically, the West End benefited from the rise of the City. Financial groups spilt westwards because they could not find the big buildings they needed around the Bank of England. This helped take up surplus space and boosted rents in areas such as Victoria – long considered the most sluggish part of the market.

When the stock market crash brought expansion to a halt last autumn, however, the West End was far more insulated against the fall-out. Financial interest has fallen from a quarter of the total West End take-up to about 16 per cent, but this has to be set against a general business sector which has always provided the bedrock of more then half the property transactions. Share prices might have fallen but the economy keeps expanding.

There have been some casualties. Manufacturers Hanover has stopped converting the Adelphi building behind the Strand into a new headquarters. Other tenants have also deferred major decisions on office premises until the winter is over, according to agents Debenham Tewson & Chinnocks.

But the continued diversified demand – particularly for flagship offices in prime districts – and tight controls on supply keeps pressure for space high.

More than 5m sq ft of space came on the market last year but almost as much was taken up or withdrawn, according to agents Richard Ellis. The Government was one of the biggest customers, taking a fifth of the lettings, while finance groups were thwarted by a lack of big buildings rather than the stock market downturn.

Tenants saw the way the wind was blowing and got in quickly. Some 22 per cent of the take-up was in pre-lets, so the 1.8m sq ft coming out of the ground now is in effect reduced to some 1m sq ft of available space – around half the amount a year ago. And only 15 per cent of this is ready for occupation today.

All the factors were there for a rents explosion, and values duly responded with a 50 per cent hike over the year. The same factors seem set to continue in 1988 in spite of the nervous stock markets.

"We see some 3.5m sq ft of named inquiries for space over the next two or three years, but this is only about two-thirds of the real demand if buildings were there to be had," says Mr Philip Dawe of Richard Ellis. "Take-up would have been even higher last year if space had been available."

With supply limited to about the same level as 1987, rents should rise by around 20 per cent, producing a range from £60 a sq ft in Mayfair to £35 in Soho, say the agents.

This boom in costs could start pushing occupiers right out of the West End. Oil companies such as Phillips and Esso have already abandoned big buildings in the face of rising costs.

Proposals by Grainhurst for Paddington goods yard and competing consortiums of developers with plans for some 500,000 sq ft of offices in a mixed scheme on the canal basin might stand to benefit. Conoco has never confirmed its interest in the area but it remains a likely tenant.

Demand for flagship offices in prime districts keeps pressure for space high

On the other hand, there may be a counter-current of companies finding the climate a little too rarefied after much publicised moves out-of-town. Blue Circle has already decided to abandon its purpose-built headquarters in Berkshire and move a small headquarters staff back to its old home in Stag Place, Victoria.

More companies may move back from the fringes towards central London if the economy starts to falter, according to Baker Lorenz. "They may well feel out on a limb and wish to retrench to the hub of business areas, creating a ghetto effect and causing an escalation of demand and rents," say the agents.

Whichever way the economic pendulum swings, it seems that the West End is going to benefit. But the signs are that economic growth will be the dominating force this year, with the City for once banished to the sidelines of interest as its biggest neighbour hogs the limelight.

David Lawson

Boom in Mayfair, while the focus switches to Victoria

MAYFAIR AND St James's have always been the cream of the West End market. "They are like a two-horse race," says Mr Michael Fraser, of agents Conway Relf, "with one constantly nudging ahead of the other in rental terms."

Currently, Mayfair has more to test the market, with Lansdowne House on Berkeley Square and London & Edinburgh Trust's Nightingale House ready to set rent records. If the asking levels are achieved, St James's values will be pulled up with them, particularly with the growing shortage of smaller suites for traditional users as owners redevelop multi-let buildings.

Rents hit £42.50 in St James's last year and Mr Fraser will be looking for more on the 4,200 sq ft being developed by MGM Assurance in Park Place.

But larger buildings are also at a premium. It is hard to find space for new ones but Hunting Gate deal.

Meanwhile, City Merchant Developers is expecting heavy demand for its 80,000 sq ft scheme on Ryder Street before next year's completion.

Inchcape forecast the boom in Mayfair last year by pre-leasing its new King Street headquarters for more than £40 a sq ft. By the end of 1987 deals were being done at closer to £50 with Boodle Hatfield in Brook Street and Lloyds Bank in Grosvenor Street, according to Julian Hodnett of Hodnett Martin.

But the change in pace is probably best illustrated by Devonshire House, the 150,000 sq ft block multi-let two years ago at £22 a sq ft when Land Securities could not find a large tenant. By last summer a 13,000 sq ft floor was taken back by the owners and pre-let at £40 a sq ft, and another floor has just been taken by Skidmore, Owings & Merrill for the equivalent of £45 a sq ft.

"Rents well in excess of £50 a sq ft or approaching £60 will be achieved in the prime Mayfair areas in the early part of 1988," says Mr Kenneth Cohen of agents D E & J Levy.

In Berkeley Street, demand for refurbished space being produced by Trafalgar House and the Church Commissioners is so high that the £47.50 quoting rent is being left behind, according to Debenham Tewson & Chinnocks.

Asking levels have already hit £55 on the former Dunlop building in St James's Street, where owners GRE aim to capitalise on the decline in supply to less than 1 per cent of the area's stock. Some 700,000 sq ft is on line for completion this year but only one or two more big blocks need to go to reduce the figures considerably.

Mayfair and St James's have usually taken second place over the years to Victoria as the hunting ground of big companies. The glass canyons of Victoria Street show how developers were able to find space before the 1974 crash, and history seems set to repeat itself as the market turns full circle.

Surplus space which kept rents low has now gone. Salomon Brothers and Fred Olsen are understood to have achieved £37 a sq ft on sub-lets in Victoria Plaza over the station. Not bad, considering that Salomon paid Greycoat and Norwich Union less than £20 a sq ft for the 300,000 sq ft development a couple of years ago.

The Department of Trade and Industry seems to have got itself a bargain by taking a pre-let on half the 350,000 sq ft second phase at £26 a sq ft, although it faces a rent review three years after completion.

Financial groups spurred the boom, with companies such as Nikko Securities and Bank of Boston moving into Victoria Street. Agents De Groot Collis, who eased Nikko and Amex into the area and should know a good deal about what tenants will bear, are expecting well over £35 a sq ft for 14,500 sq ft being developed by Warwick Balfour and Lazard Property Unit Trust in Artillery Row.

The financial groups may fade from the scene, but as Mayfair boils over, Victoria is proving a focus for a wider range of tenants. About 1m sq ft of new space is in the pipeline but half of this is pre-let or reserved, so pressure will stay high into the 1990s.

As for the northern fringes, the area north of Oxford Street is starting to look like a new Victoria as demand spills outwards from the centre of the West End. The difference is that this is a mixed use area where new space comes mainly from refurbishment of buildings.

Changes in the planning use classes order will give flexibility to offer many of these buildings for offices, which could help big landlords such as Great Portland Street and Priest Marians. But family trusts such as the Howard de Walden Estate have such a hold on the zone that they will determine how much new development is likely to come out of the ground.

Rents have grown proportionately higher here than anywhere else in the West End because they started from a low base. The highest levels of about £40 a sq ft are still restricted to the strip closest to Oxford Street and west of Portland Place. Richard Ellis expects rents of £42.50 this year.

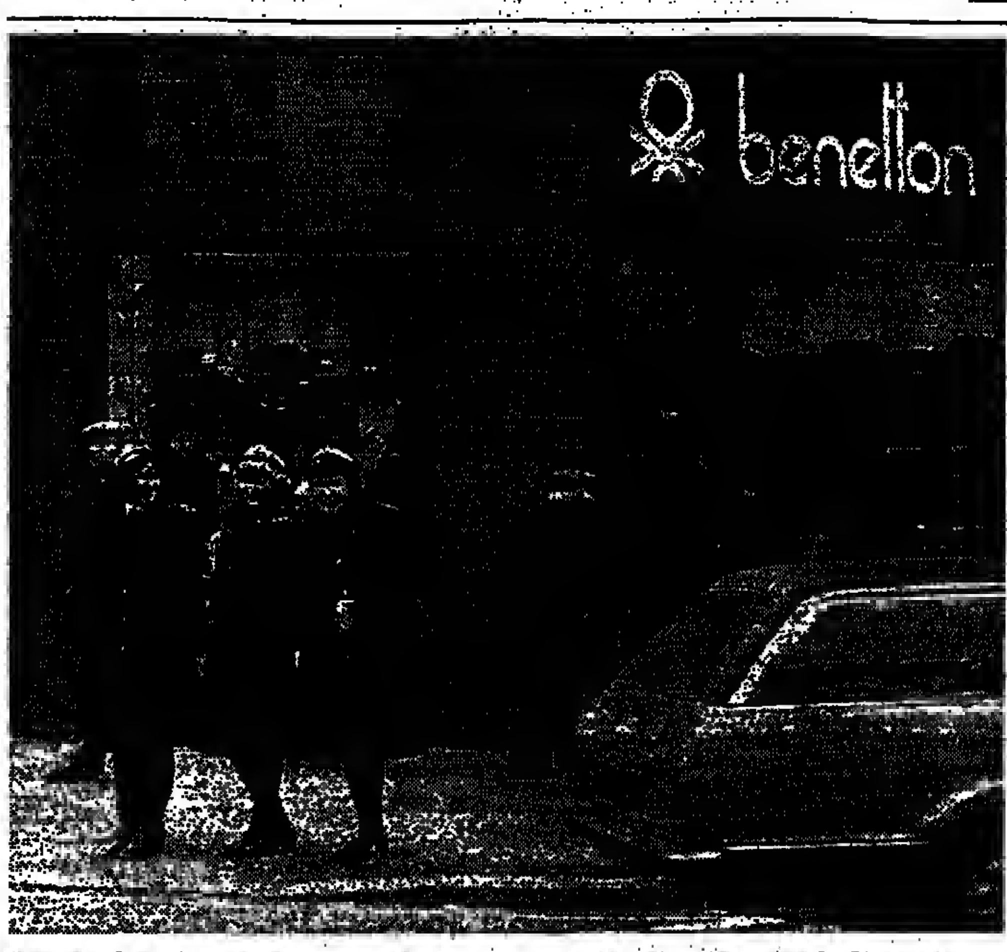
As over-supply has been curbed, rents have been rising as far out as Euston, says Mr Cohen, of D E & J Levy. He points to the remodelling of Stephenson House in Hampstead Road by Southend Stadium, where 68,000 sq ft of air-conditioned offices were pre-let last summer to Logica for more than £20 a sq ft.

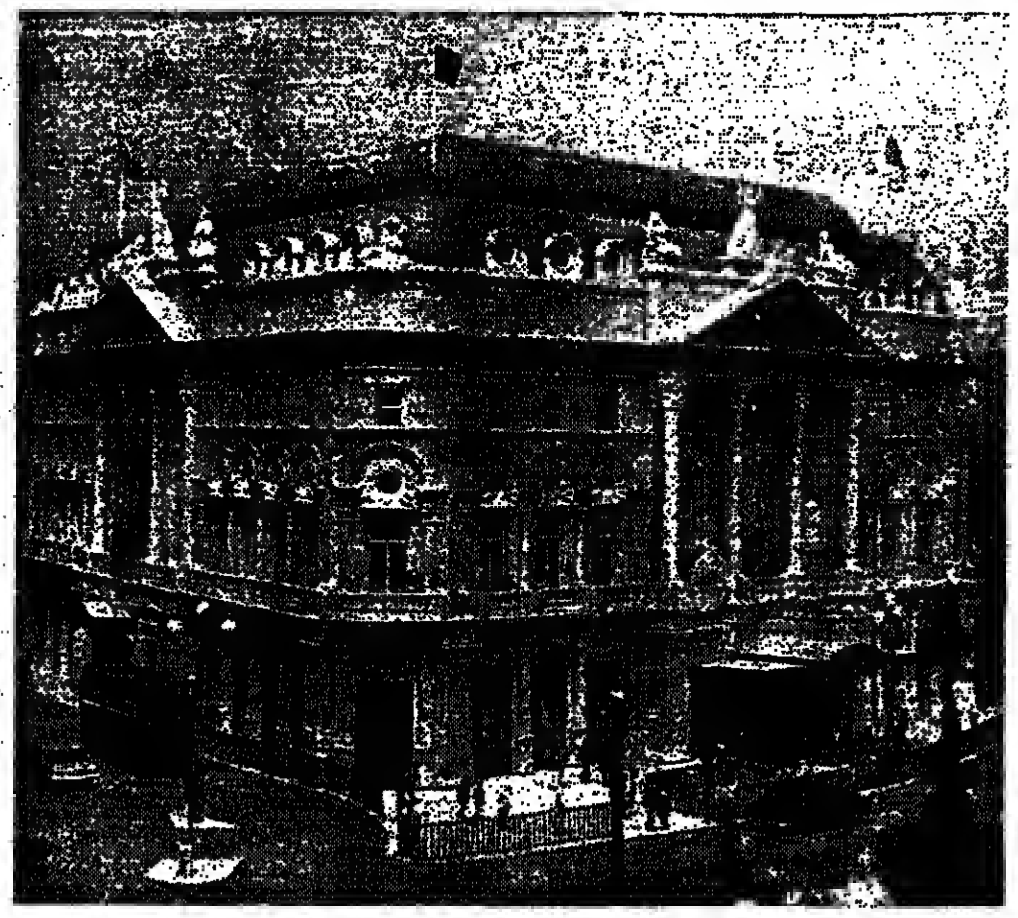
Banks started piling into the Strand as soon as they realised they could not find what they wanted in the City of London. Second thoughts by Manufacturers Hanover on converting the Adelphi may indicate a lull, but Greycoat's planned 350,000 sq ft redevelopment over Charing Cross Station should still pull in some big names.

Covent Garden's new popularity shows up with Vigers' letting of the office space in Jubilee Piazza to J Henry Schroder Wagg for the equivalent of £37 a sq ft. This compares with the £28.50 agreed with Extel for the space last March – which itself was a big jump on the £18.50 base rent on which the 12,000 sq ft building was funded by pension fund clients of Kleinwort Grieveson.

Demand by small professional firms is keeping the pot boiling, and rents should hit £44 this year. Soho is feeling a similar pressure as Westminster Council's clean-up campaign reaps rewards, although values still lag

David Lawson





Scenes of commercial life: a trio of traffic wardens caught on the kerb in Oxford Street, a model of the new London Pavilion at Piccadilly Circus and situated above London's busiest travel interchange, Victoria Place which, according to the Heron Property Corporation, offers an innovative style in shopping centres

The retail sector is booming with record rents and premiums being regularly broken

When it comes to retailing, these are the places to be

THE CONTINUING consumer boom, fuelled by an improving economic situation and readily available credit, has resulted in increasing demand for prime shop accommodation throughout Central London. Even Black Monday has yet to take a toll on the booming retail sector.

THE WEST END

After some years of doubt, the past 12 months has reconfirmed the West End as Europe's premier retail area. Demand is running higher than ever before and, says the Hillier Parker Investors Chronicle Rent Index, Central London retail rents are growing at almost 30 per cent a year. Record rents and premiums are regularly being broken.

At the heart of the West End's success is, of course, Oxford Street with its prime pitch to the west of Oxford Circus. Just a year ago Healey & Baker and Bernard Thorpe let a Neale House/CIS redevelopment at 472-474 Oxford Street to Peter Lord, H Samuel and Bally Shoes at a new high for Oxford Street equating to £275 a sq ft in Zone A.

At the time many people thought the figure was too high and, with few other new units coming onto the market, it was difficult to prove otherwise.

In February this year, however, the level was more than justified when the old Everon shop at the corner of Gilbert Street was let by the Grosvenor Estate. More than 12 retailers bid for the shop, which was won by Jean Jeanie paying a rent which (based on 30ft in Zone A) equates to a £300-£325 a sq ft.

More recently, the Grosvenor Estate went out to rental tender on the former Barclays Bank unit at 449-451 Oxford Street. Market rumour has it that the shop has been let to Laura Ashley at about £340 a sq ft (Zone A).

Rents on existing units have been at a discount because of the lack of evidence to justify large increases at reviews or lease renewals. As a result high premiums - almost entirely made up of key money - have been paid on assignments even with rent reviews imminent.

First signs of this came with the sale by Hillier Parker of the Benetton unit at the corner of Oxford Street and Swallow Place back in February 1987. Sock Shop paid £440,000 for the lease which carried a passing rent of £130,000 a year, reviewed in the March to over £220,000 a year.

Later in 1987 massive new premium records were set. Fizzaz, the Coca Cola clothes concession, for example, paid £1m for the lease on 356 Oxford Street months before the rent was to be reviewed. A similar price is believed to have been paid by Sock Shop for the old Lady Lisa unit at 435-437 Oxford Street.

Oxford Circus to Tottenham Court Road has traditionally played poor relation to its westerly counterpart. In the early 1980s it resembled an oriental bazaar, with shops selling cheap fashion clothing and tourist "tat" spilling their wares out onto the pavement. Vast improvements have been made since then. Those shops are still there, but in fewer – and declining – numbers as unsatisfied demand for western Oxford Street is pushed east.

The rest of the West End has also been on the up and up. Rents in the best pitches on the east side of Regent Street, close to Oxford Circus, have moved towards £150 a sq ft in Zone A. At the same time physical improvements to both Argyll Street and Peachey's Carnaby Street have led to growth in demand for these two streets as well.

Meanwhile, in the better parts of Piccadilly rents are touching £100 a sq ft in Zone A. Throughout the West End premiums of £250,000 have regularly been achieved.

There is little evidence to suggest that demand for shops in Central London has been seriously affected by last year's stock market slump. Even Bond Street and South Molton Street, which many people feared would be among the first hit by redundancies and reduced fortunes among wealthy shoppers, have yet to suffer.

Healey & Baker recently let Lynton's development at 9 New Bond Street, opposite Asprey & Co, to Ciro Pearls at a record rent equating to over £200 a sq ft (Zone A). A similar figure has been achieved in South Molton Street.

However, it takes at least six months for economic changes to work their way through to the retail sector and much will depend on London's tourist success this year. A combination of the stock market's problems and a bad tourist year could check the current retail property boom. Most commentators are confident that overseas vistors will be out in force, but are keeping a close eye on the weak US dollar.

Whatever happens, the top premiums achieved in the last year are unlikely to be repeated. Lettings will provide plenty of evidence for substantial rental increases at reviews in most West End streets, pushing some retailers out altogether. Other retailers, with longer periods before review, may well decide to sell up and take at least some of the value from their leases. Increased supply will inevitably lead to a drop in prices.

At the same time, some quoted retailers are cautious about paying very large premiums – for which they have to borrow against asset values reduced by the slump.

At least one Oxford Street lease currently on the market at a premium of over £1m is rumoured to be finding few takers and this trend will work its way down through the West End's retail hierarchy over the next year.

The last few years have seen a number of enclosed shopping centres developed in the West End. It is the first time that such developments have been undertaken on any scale in Central London and, for the most part, they have yet to fulfil their true potential.

Among the earliest schemes to get under way were the W1 Centre at Bond Street and the ESN's Trocadero at Piccadilly Circus. Both were launched at a bad time in the Central London retail market and, as a result, had a shaky start, although they have improved considerably since.

The Trocadero's new owners, Brent Walker, paid £90m for the development and an adjoining site in September 1987. They now have plans for more retail and leisure projects which should further strengthen that scheme.

The redevelopment of the former Swan & Edgar store to create the Centre at the Circus also had a fairly slow start. Most of the space was eventually taken by Tower Records, which is trading very successfully, as are the four unit shops with Regent Street frontages. However, the units at the underground station level have been less successful and some have already changed hands.

Also at Piccadilly Circus, Grosvenor Square Properties and Kennedy Brookes' London Pavilion may prove the making of the whole area. The £20m multi-level speciality and leisure scheme, which has been funded by Security & Pacific, comprises 29 small shop units, restaurants and "The Rock Circus", a new Tussaud Group venture.

Letting agents, Edward Erdman and Anthony Green & Spencer report great interest in the shops, with more than 80 per cent already in solicitors' hands for the likes of Scribbler, Body Shop, Knickerbox, *Just Shirts*, Sock Shop and the French fashion chain Naf-Naf.

The Pavilion will complete the underground concourse linking it to the Trocadero, the Centre at the Circus and the underground station. It should prove a great boost to the existing centres.

Glengate's redevelopment of the Bournes store to create the Plaza on Oxford Street is another scheme which has had problems. The scheme, which is anchored by W H Smith's only Oxford *Street store and the Reject Shop*, has attracted good quality fashion retailers including Warehouse, Pied a Terre, Ton Sur Ton, Golden Rifle, Knickerbox and, most recently, the Gap. However, the delay in opening the basement level food court has detracted from the scheme and it has taken some time to let some of the units.

Healey & Baker is currently marketing the second floor of the Plaza, which provides units of 750 sq ft up to more than 10,000 sq ft. A money-changer and a travel agency have agreed to take space.

There is undoubtedly room for more enclosed shopping centres in the West End, but they need careful targetting. There are a few others currently in the pipeline, including Neale House/CIS' Bond Street Arcade which following a long and troubled planning history is at appeal again and Bredero/Crown Estate's plans for a 70,000 sq ft speciality centre at 172-186 Regent Street. Neither will be in business until well into the 1990s.

VICTORIA

When it comes to retailing, prime Victoria is undoubtedly Victoria Place between the station and the Army & Navy department store. But it is such a good pitch that retailers rarely move out and relatively few deals are done.

Last year Healey & Baker bought in 10 Kingsgate Parade for landlords Land Securities and relet it to Next at a rent of more than £70 a sq ft (Zone A). This figure is already considered historic and many commentators believe that £100 could be achieved if a unit was now available.

With new leases a rarity premiums have also increased. Hillier Parker and Chesterton, for example, sold the lease on 165 Victoria Street to Athena for £90,000.

With such a tight market the success of Victoria Place, Heron's new shopping scheme above Victoria Station should not perhaps have come as too much of a surprise. However, sandwiched at first floor level between railway platforms and the Victoria Plaza office development the scheme seemed certain to have difficulties.

But of the 22 units, food court, restaurant and pub developed by Heron all but one unit and the pub was pre-let to quality fashion orientated tenants at rents of up to £70 a sq ft (Zone A). In fact, demand has been so good that the developers, agents Edward Erdman Lunson Mitchenall, have found that they can rent out two broom cupboards as shops.

The scheme also incorporates British Caledonian's check in area, British Rail's Gatwick-Express terminal and provides access from the station to a new taxi rank area.

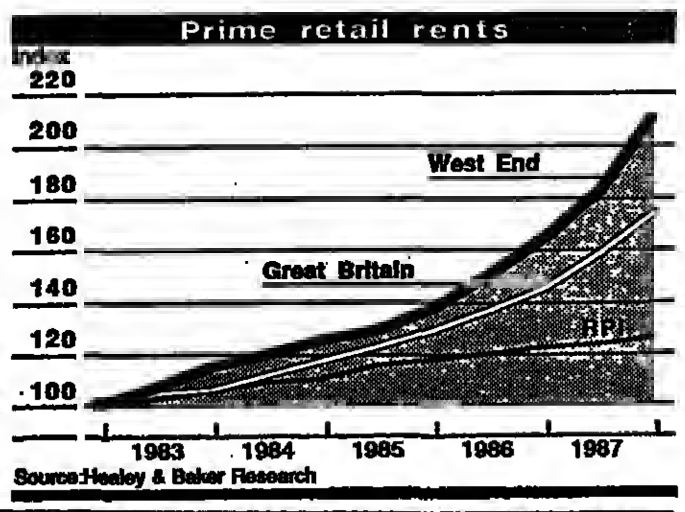
At mezzanine level is London's first food court, which is being run by Trusthouse Forte and is already proving a major draw for the scheme. The restaurant unit has been taken by Garfunkels and the pub is under offer to Greene King.

Victoria Place draws on a wide range of potential shoppers including those using the railway station or the coach station and the enormous daytime office population. Also, to a lesser extent, it serves the small local residential population.

British Rail originally decided to keep unit 19 for its own occupation, but has since changed its mind and the 1,634 sq ft shop is now on the market through Healey & Baker, which advised British Rail throughout. Trading on the success of the rest of the scheme, rental offers of over £80,000 a year are being sought.

Linda Welch

Prime retail rents



Source: Healey & Baker Research

Mayfair

Battle of principle over converting offices to homes

GERALD CAVENDISH Grosvenor, the Sixth Duke of Westminster, has determined ideas about the management of his inheritance. The Grosvenor Estate has been around for a long time, springing from William the Conqueror and reaching London more than 300 years ago when "a place of vice and impurities" known as May Fair came into the family.

Changes in the balance of land use tend to be considered with the estate trustees on the same geoerations-long scale tbat applies to agricultural boldings spread half-way across the world. Grosvenor's tenants look to their landlord for protection and support.

Westminster city councillors have equally determined – if different – ideas about the shape of the new Mayfair. And with a charter that dates back a good 70 years before the Grosvenors made their West End conquest, they show no sign of feeling any less able to speak across generations. Westminster's residents look to their elected representatives for protection and support.

This highly charged clash of wills involves a mere 85 buildings out of 1,000 on the Grosveoor Estate. They are not even tbe grandest ones, baving been largely rebuilt in this century. The battle is one of *principle*. The trustees want to maintain and improve them for office use as part of their long-term estate management: the council is fighting for a switch-back to housing.

The problem originated after the last war, when temporary permits were granted to use the homes for offices to belp bombed-out businesses. The first batch of permits ran out in 1971 and buildings unsuitable for conversion back to homes were given an extension to 1990. Since then, residential prices have soared, so conversions appear more feasible.

"But changes were happening anyway before and after the war as businesses moved in," says Mr Terry Burcombe, managing director of the Grosvenor Mayfair Estate. "The bombing merely accelerated this. Mayfair now needs business as a land use balance to sustain its unique vitality."

Westminster planners, however, are paying more attention to the fears of residents' groups that this could be the thin end of the wedge, with offices taking over from homes and creating a ghost town after working hours. They are mindful that Mayfair's population has declined by a third since the war.

Mr Sydney Sporle, the planning director, points out that not all these buildings would have to change. More than a third of the first batch remained as offices because the costs of conversion did not add up. And not all the displaced businesses left the area.

But talks have dragged on for three years with only 11 cases sorted out. A recent Chamber of Commerce report on Westminster found that more than 150 businesses in these and other threatened buildings were living under a cloud of uncertainty as the deadline approached. Agents Fuller Peiser stated baldly that there was no way the outstanding disputes could be sorted out in time.

But another big landlord may have found a way to end the long battle for Mayfair. Agents Debenham Tewson & Chinnocks have proposed a peace treaty with planners over the 14 buildings owned by BP Pension Fund threatened with loss of business permits. This involves a single planning application to split land use, so half the space remains in office use and the rest converts back to homes.

"We think we can possibly justify e similar mix," says Mr Burcombe, so Grosvenor may yet take the same path towards peace.

One major fly remains embedded in the ointment, however. All the BP tenants' leases end in 1990, so the landlord has the whip hand. Many of Grosvenor's go well beyond this date – some as far as 50 years on.

"We can't guarantee a residential conversion in these cases," he says. The tenant may want to continue business use."

Each tenant has the right to apply on its own – just as property group MEPC is doing on its Brook House beadquarters – and may win its case after appealing to the Environment Secretary against planning refusal.

A key part of MEPC's argument rests on the financial viability of conversion. Advisers Montagu Evans argued at the public inquiry that the Park Lane building would be left empty because the cost of re-creating bomes would be prohibitive.

Grosvenor is also disputing the way Westminstar calculates whether conversions are viable. "We find their costs come out at up to 50 per cent less than ours," says Mr Burcombe.

In other words, the council is saying homes can be re-created much more cheaply, even though it sets the final value at the same market level as the owners. Mr Burcombe suspects that Westminster is working on the 30-year life set for public bousing, and points out that quality is a vital factor in Mayfair prices.

So while tentative feelers go out for a block planning application to settle this long-standing war, skirmishing is still going on behind the scenes to win the strategic high spots in any appeals to the Government.

Not that the Duke and his trustees want a continuation of hostilities with a council with which they have such close and historic links. But the message comes through strongly that the long-term good of the estate and its tenants comes first. Apart from the detailed costings, money is rarely mentioned.

"We have no idea what the difference is between the value of these buildings as homes rather than as offices," says Mr Burcombe. "We just don't like 'tinkering' with the balance of land use."

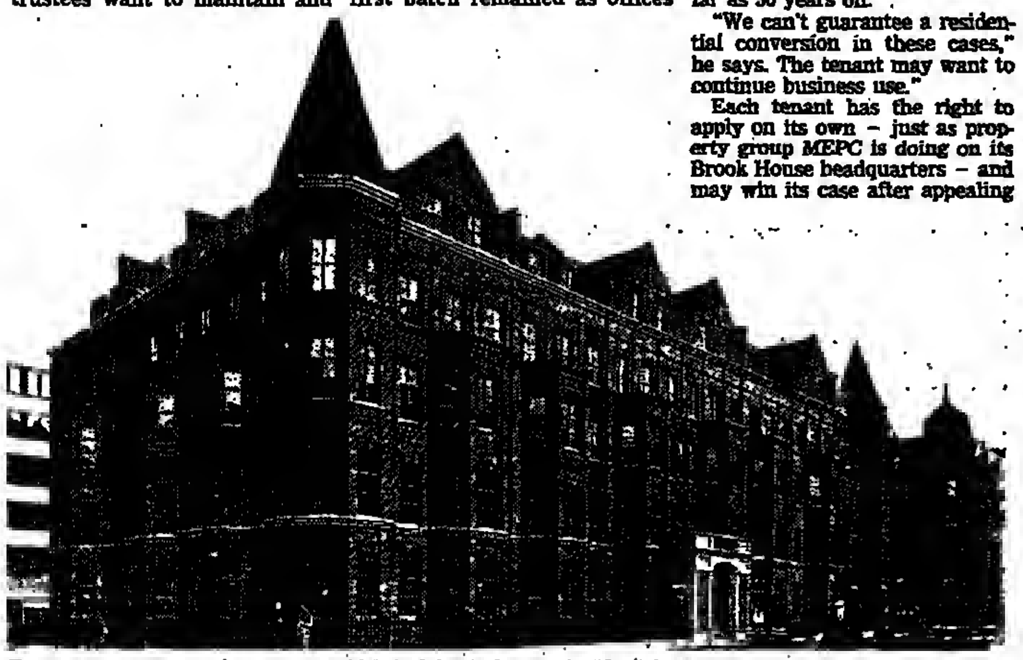
He argues that Grosvenor is already promoting new homes in Mayfair, but in the context of balanced development. For instance, the area is desperately short of big office buildings, so it is proposing a 30,000 square foot block in Park Street matched to existing architecture and including eight flats. Two of the blocks to be replaced are part of the dispnte over temporary permits, although Grosvenor believes they cannot viably be converted to homes.

Other schemes are already under way, such as two developments in Grosvenor Street where historic blocks have been turned to modern offices and new flats built behind tbem. A former office block in Aldford Street has just come on the market after being turned into five flats.

This shows that the small battles between planners and landlords can be settled. Many small tenants will be hoping that the war can be settled with a similar compromise.

David Lawson

The Duke of Westminster in his Mayfair office



The proposed redevelopment at 106-114 Park Street, in Mayfair

The developers

Reaping the benefits of a boom in rents

IF 1987 was the year of the property traders, this year will see rewards flowing strongly towards West End owners and developers as they cash in on booming rents.

Land Securities, Britain's largest property company, will benefit more than most, particularly in Victoria, since it is probably the biggest landlord in the area. Among more than 3m sq ft of business and shopping space, its holdings read like a property Who's Who: New Scotland Yard, the Home Office, Westminster Hall and Esso and Mobil Houses are among the best known.

But under the recently rejuvenated management, it also has a strong development programme to supplement the rent collecting role, with something like 350,000 sq ft of planning permissions and more in the pipeline.

Much is concentrated around Stag Place, where a spectacular redevelopment of Eland House designed by Richard Horden has been unveiled. But the existing buildings are already reaping rewards, with recent lettings showing rent increases approaching 100 per cent over last year.

"Victoria office rents have tended to be undervalued," says Mr Ian Henderson, a Land Securities director. "The increases reflected the emergence of Victoria as a key office location and central West End demand spilling into the area.

"We were fortunate in being slightly ahead of this trend and last year bought in the head leases on two key buildings – Portland House and Carrier House in Stag Place – where we already own the freeholds."

Rents are now topping £32 a sq ft, such as Gruner & Jahr's lease on 11,000 sq ft of Portland House for £330,000 a year. In Carrier House, six of the nine floors have been let at rents from £21 to £32 a sq ft on short leases outside the Landlord and Tenant Act.

Land Securities also has 1.5m sq ft of space in Westminster, including more than 250,000 sq ft of shops, restaurants and banks – and the famous Piccadilly lights and advertising signs. The big Oxford Street shops are turning in record rents because of the retail boom, while the demand for offices is reflected in the turnaround of Devonshire House, Land Securities' 150,000 sq ft flagship block.

Only a couple of years ago the building had to be multi-let at rents of around £22 a sq ft. By last summer that had climbed to almost £40 a sq ft and the latest deal with US architects Skidmore Owings and Merrill reached an equated level of £45.

"This is a record rent for the building and there was keen interest for the space," says Mr Henderson.

Top rents were also achieved for Queens House, a 12,500 sq ft building which exploited the increasing shortages in St James's. Next on the production line is Ontario House, where a pre-let could be lined up for the 16,000 sq ft of air conditioned space.

But giants like Land Securities are not alone in reaping this harvest. Sheraton Securities has doubled its West End portfolio in

The emergence of Victoria as a key office location

the last year. It has started developing or acquired 275,000 sq ft of office space including 125,000 sq ft planned for development over the next two years.

The £132m development programme includes an 80,000 sq ft refurbishment of eight buildings in Sackville Street which will be worth more than £25m. In the longer term, planning permission has been sought for 70,000 sq ft of offices further out of the central area on the former British Home Stores headquarters at Enford House in Marylebone Road.

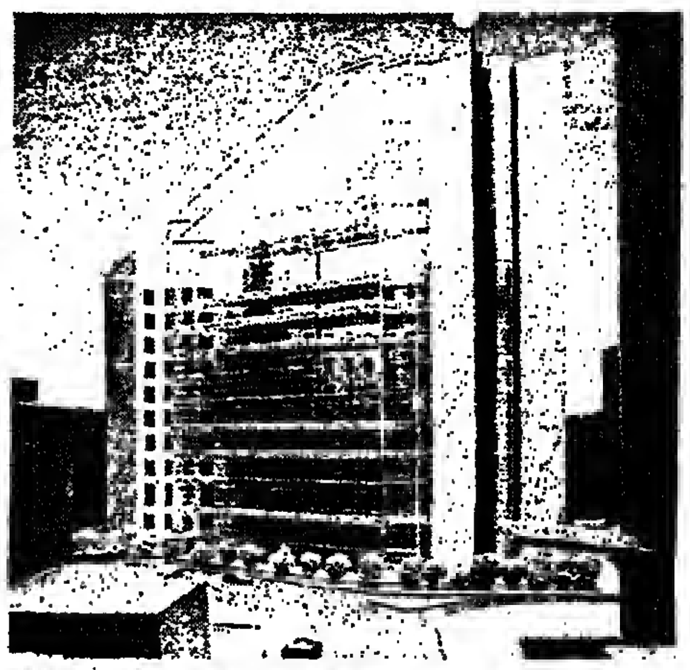
Sheraton has deliberately spread its interests from the familiar field of high tech schemes outside London. It sees a strong future in the West End for both small and large headquarters offices, providing the buildings are produced to the highest standard.

Typical of the opportunistic West End property investment and trading groups is Derwent Valley Holdings, which was transformed during the bull market from a railway line operator into a high-flying stock market performer. Its role was to snap up undervalued property such as 37,500 sq ft in Allington Street, or companies like Colebrook and Wilmar, with their West End development opportunities.

Such deals helped double Derwent's net asset value and tripled the share price until Black Monday, as backers were confident of the ability to squeeze extra returns by active management of the properties.

Pickings will not be so easy for these companies in 1988, with little recourse to floating shares to pay for deals. But Derwent has a solid cash reserve and should benefit from the planning changes in the use classes order, which will allow its mixed-use properties to be converted into higher-value business premises.

David Lawson



Land Securities' Eland House redevelopment at Stag Place in Victoria: the shape of things to come